ANNUAL REPORT 2015

TORM

TORM A/S · Tuborg Havnevej 18 · DK-2900 Hellerup · Denmark · Tel.: +45 3917 9200 · CVR: 22460218

TORM'S RESTRUCTURING AND IMPACT ON THE TORM A/S ANNUAL REPORT 2015

On 13 July 2015, TORM, its lenders and Oaktree Capital Management ("Oaktree") completed a comprehensive restructuring ("Restructuring") of TORM's balance sheet and a transformative merger between TORM and Oaktree. In return for a vessel contribution by means of the shares in OCM (Gibraltar) Njord Midco Ltd. ("Njord"), Oaktree obtained a controlling equity stake in TORM of 62%. In accordance with IFRS 10 and 3, Oaktree is considered to control the combined entity, and the Restructuring has therefore been accounted for as a reverse acquisition for financial reporting purposes. This means that Njord is considered the accounting acquirer and the continuing reporting entity. For the period from 1 January 2015 to 13 July 2015 ("Restructuring Completion Date"), the financial information presented by TORM in the consolidated financial statements reflects the activity of Njord only, whereas the period from the Restructuring Completion Date to 31 December 2015 reflects the combined activities of TORM and Njord. Comparative figures for 2014 consist of the activity of Njord only.

The Management and Financial review sections of the Annual Report also contain pro forma figures for 2014 and 2015, presenting TORM as if the Restructuring had been undertaken as of 1 January 2014 and 1 January 2015, respectively.

The Management and Financial review sections (p. 4 – 47) focus on the pro forma numbers, as they are deemed most representative when evaluating both the Company's current and future financial performance and position. The Financial review also contains a reconciliation between the reported figures per the consolidated financial statements (Income statement and Balance sheet) and the computed pro forma figures, including the assumptions applied. The Financial review also contains a brief review of the reported figures.

In the Management review (p. 4 – 39), "TORM" or the "Company" generally refers to pro forma figures adjusted for non-recurring items for the combined group or for the legal entity TORM A/S, unless stated otherwise.

In the Financial review (p. 40 – 47), references to the historical financial statements of "TORM A/S" and "Njord" are to the historical financial statements of Njord, the accounting acquirer. References to the historical financial statements of "Former TORM A/S" are to the historical financial statements of TORM A/S, the accounting acquiree, prior to the contribution of Njord.

SAFE HARBOR STATEMENTS AS TO THE FUTURE

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and statements other than statements of historical facts. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this annual report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, the Company cannot guarantee that it will achieve or accomplish these expectations, beliefs or projections.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of the world economy and currencies, changes in charter hire rates and vessel values, changes in demand for "ton miles" of oil carried by oil tankers, the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled dry-docking, changes in TORM's operating expenses, including bunker prices, dry-docking and insurance costs, changes in the regulation of shipping operations, including requirements for double hull tankers or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists.

Forward-looking statements are based on management's current evaluation, and TORM is not under an obligation to update and change such forward-looking statements except as required by law.

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INTRODUCTION

2015 marked a step change for the product tanker sector in general and for TORM in particular, with freight rates reaching the highest levels since 2008 and a strong performance by the Company's integrated operational platform. Further, TORM finalized its financial restructuring ("Restructuring"), thereby securing financial and strategic flexibility.

RESTRUCTURING

On 13 July 2015, TORM, its lenders and Oaktree Capital Management ("Oaktree") completed a comprehensive restructuring of TORM's balance sheet and a transformative merger between TORM and Oaktree. The Restructuring included a contribution of 25 on-the-water vessels and six newbuildings by the Oaktree-controlled entity OCM (Gibraltar) Njord Midco Ltd. ("Njord") and a restructuring of TORM's balance sheet resulting in a strong capital structure. In connection with the Restructuring, TORM completed a share capital increase, published a listing prospectus, elected a new Board of Directors, implemented a reverse stock split with a consolidation ratio of 1,500:1 and, on 13 January 2016, conducted a subsequent share capital decrease of the Company's treasury shares.

Due to reverse acquisition accounting, the consolidated financial results reflect the activities for Njord only for 2014 and the period from 1 January 2015 to 13 July 2015, whereas the remaining period of 2015 reflects the combined activities of TORM and Njord. The Annual Report also contains pro forma figures for 2014 and 2015, representing TORM as if the Restructuring had been undertaken as of 1 January 2014 and 1 January 2015, respectively.

2015 PRODUCT TANKER PERFORMANCE – ONE TORM PLATFORM

In 2015, TORM's product tanker fleet realized average pro forma spot TCE earnings of USD/day 22,986 or up 48% year-on-year driven by a strong market throughout the year. The overall operational result for 2015 was positive with a pro forma EBITDA of USD 319m. This is an increase compared to a pro forma number in 2014 of USD 119m and is mainly driven by an increase in freight rates and further impacted by a reduction in administrative expenses. The pro forma profit before tax of USD 188m is an increase compared to pro forma profit before tax in 2014 of USD 1m. TORM obtained a pro forma RoIC of 14.1% in 2015.

In the first half of 2015, product tanker freight rates were driven by increasing refinery margins, strong growth in US demand for gasoline, long-haul movement of naphtha from Europe to the Far East and newly added Middle East refinery capacity. This led to strong freight rates in the first half of 2015. In the second half of the year, refinery margins and freight rates peaked during the third quarter. During the fourth quarter, freight rates softened though remained at strong levels.

TORM was well-positioned to take advantage of the strong market and leveraged the Company's integrated operational platform to perform well against the commercial benchmarks. TORM believes that the strong commercial performance is driven by a combination of well-maintained vessels, a presence in all product tanker segments and its integrated operating platform. This combination provides the Company's commercial management team with enhanced flexibility and responsiveness to customer demands, thereby delivering TCE earnings and cash flows above the average of industry peers.

Chairman of the Board, Christopher H. Boehringer (left), and CEO of TORM, Jacob Meldgaard (right).

We believe that TORM's efficient integrated operational platform combined with financial and strategic flexibility provides a basis for generating the best shareholder returns in the product tanker segment,

says CEO Jacob Meldgaard.

PURE-PLAY PRODUCT TANKER OPERATOR
The Restructuring has provided TORM with sufficient financial and strategic flexibility to pursue attractive investment opportunities and dispose of non-core assets. The planned wind-down of the Company's bulk activities was completed with the sale of the two bulk vessels, TORM Anholt and TORM Bornholm, thereby making TORM a pure-play product tanker company.

FLEET EXPANSION
TORM has purchased three modern second-hand MR vessels (TORM Loke (built 2007), TORM Atlantic (built 2010) and TORM Astrid (built 2012)) and ordered four fuel-efficient LR2 newbuildings with an option for six additional product tankers at Guangzhou Shipyard International.

In 2015, TORM also took delivery of three MR newbuildings (TORM Thor, TORM Timothy and TORM Thunder) out of a total of six newbuilding orders from Sungdong Shipbuilding & Marine Engineering Co., Ltd. TORM has taken delivery of the remaining three vessels during the first quarter of 2016.

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We believe that TORM's efficient integrated operational platform combined with financial and strategic flexibility provides a basis for generating the best shareholder returns in the product tanker segment.

Christopher H. Boehringer, Chairman of the Board

Jacob Meldgaard, CEO

KEY FIGURES*)

	2015	2014	2013	Pro forma 2015**)	Pro forma 2014**)
INCOME STATEMENT (USDm)					
Revenue	540	180	23	854	794
Time charter equivalent earnings (TCE)	371	99	11	582	414
Gross profit	236	48	6	361	172
EBITDA	210	41	5	319	119
Operating profit (EBIT)	143	16	2	219	24
Financial items	-16	-4	0	-31	-23
Profit before tax	127	13	2	188	1
Net profit for the year	126	13	2	187	0
BALANCE SHEET (USDm)					
Non-current assets	1,579	537	184	1,579	1,432
Total assets	1,867	626	202	1,867	1,673
Equity	976	470	201	976	842
Total liabilities	891	156	1	891	831
Invested capital	1,588	573	200	1,588	1,488
Net interest-bearing debt	612	103	-2	612	619
Cash and cash equivalents	168	38	2	168	70
CASH FLOW (USDm)					
From operating activities	214	17	-11	-	-
From investing activities	-159	-378	-187	-	-
thereof investment in tangible fixed assets	-254	-378	-187	-	-
From financing activities	75	397	200	-	-
Total net cash flow	130	36	2	-	-
KEY FINANCIAL FIGURES*)**					
Gross margins:					
TCE	68.6%	54.9%	48.3%	68.1%	52.2%
Gross profit	43.6%	26.9%	24.3%	42.3%	21.7%
EBITDA	38.9%	22.8%	20.5%	37.4%	14.9%
Operating profit	26.5%	9.0%	7.4%	25.6%	3.0%
Return on Equity (RoE)	17.4%	3.8%	1.7%	-	-
Return on Invested Capital (RoIC) ****)	13.1%	4.2%	1.7%	14.1%	1.6%
Equity ratio	52.3%	75.0%	99.8%	-	-
Exchange rate DKK/USD, end of period	6.83	6.12	5.41	-	-
Exchange rate DKK/USD, average	6.73	5.62	5.62	-	-
SHARE-RELATED KEY FIGURES*)**					
Earnings per share, EPS (USD)	2.5	0.4	0.2	-	-
Diluted earnings/(loss) per share, EPS (USD)	2.5	0.4	0.2	-	-
Cash flow per share, CFPS (USD)	4.2	0.5	-1.3	-	-
Share price in DKK, end of period (per share of DKK 15 each)	97.5	-	-	-	-
Number of shares, end of period (million)	63.8	39.6	39.6	-	-
Number of shares (excl. treasury shares), average (million)	51.0	32.5	8.9	-	-

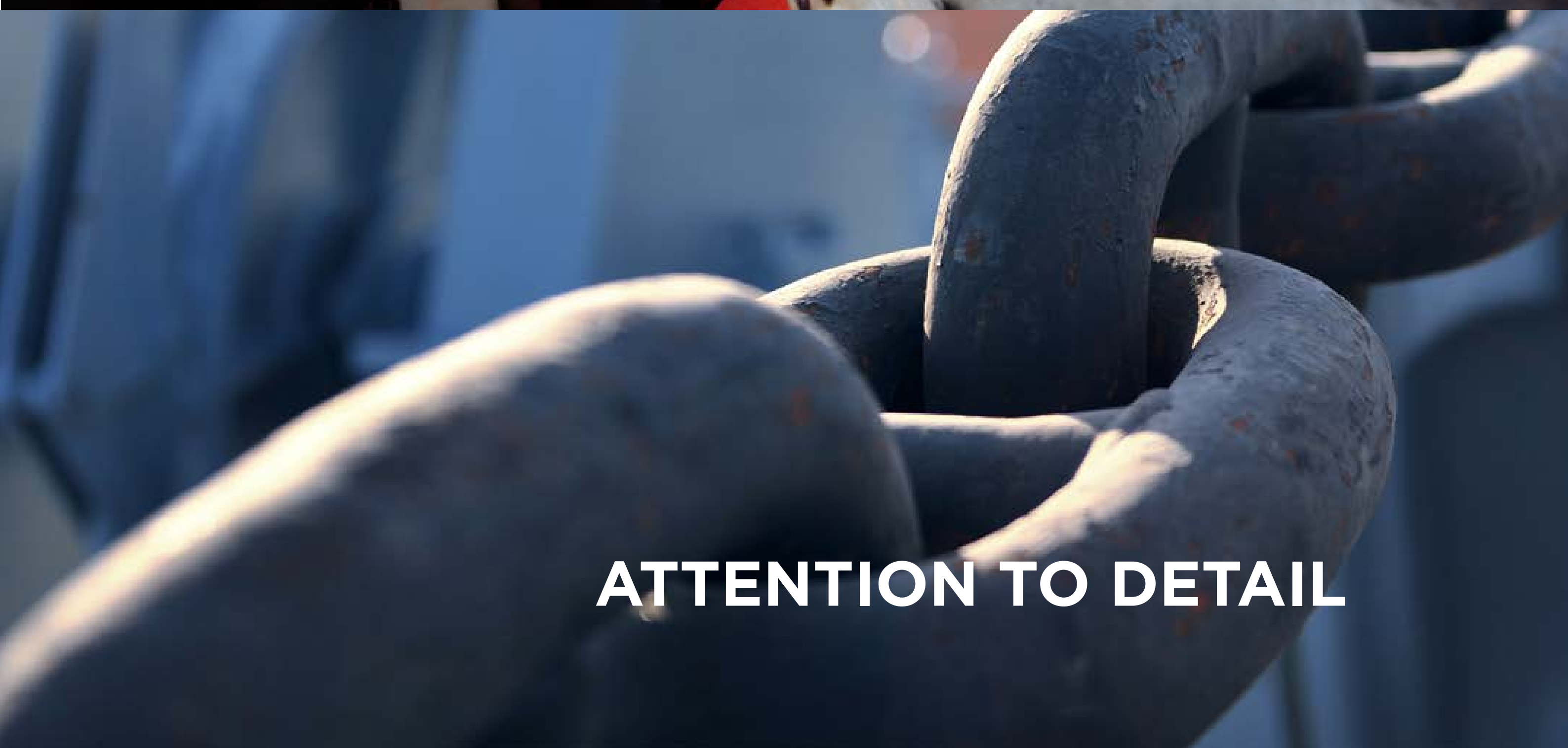
*) Key figures only consist of three years, as OCM (Gibraltar) Njord Midco Ltd. (the reporting entity) was incorporated on 30 April 2013.

**) Please refer to "Financial review" on page 40 for further description of pro forma figures.

***) Key figures are calculated in accordance with recommendations from the Danish Society of Financial Analysts.

****) Return on Invested Capital is defined as: Operating profit less tax expenses divided by average Invested capital, defined as average of beginning and ending balances of (equity plus Net interest bearing debt less Non-operating assets).

TORM's identified key performance drivers – our strategic outlook, our experienced people and our attention to detail.



HIGHLIGHTS

The positive market sentiments that started in the fourth quarter of 2014 continued throughout 2015 with freight rates reaching the highest levels since 2008. The completion of TORM's Restructuring has provided TORM with financial and strategic flexibility. TORM realized a pro forma EBITDA of USD 319m and a RoIC of 14% in 2015, when adjusting for the Restructuring,

says CEO Jacob Meldgaard.

- On 13 July 2015, TORM completed the Restructuring including the contribution of 31 vessels by the Oaktree-controlled entity OCM (Gibraltar) Njord Midco Ltd. ("Njord"). Due to reverse acquisition accounting, the consolidated financial results reflect the activities for Njord only for 2014 and the period from 1 January 2015 to 13 July 2015, whereas the remaining period of 2015 reflects the combined activities of TORM and Njord. The Annual Report also contains pro forma figures for 2014 and 2015, presenting TORM as if the Restructuring had been undertaken as of 1 January 2014 and 1 January 2015, respectively.

- In 2015, the Company realized a pro forma EBITDA of USD 319m (2014, pro forma: USD 119m) and reported a positive EBITDA of USD 210m. The 2015 pro forma profit before tax amounted to USD 188m (USD 1m) with the reported number being USD 127m. The performance is in line with the forecasts provided as of 11 November 2015.

- In the first half of 2015, product tanker freight rates were driven by increasing refinery margins, strong growth in US demand for gasoline, long-haul movement of naphtha from Europe to the Far East and newly added Middle East refinery capacity. Refinery margins and freight rates peaked during the third quarter, while freight rates softened during the fourth quater though remained at strong levels. For the full year 2015, TORM's spot rates reached the highest levels since 2008 with pro forma spot rates of USD/day 22,986 (USD/day 15,565). The pro forma gross profit for the Tanker Division was USD 365m (USD 171m), corresponding to an increase of USD 194m year-on-year, which was primarily due to increased freight rates.

- In 2015, TORM completed the wind-down of its bulk activities with the sale of the last two bulk vessels. Thereby, TORM has become a pure-play product tanker company. In line with TORM's expectations, the dry bulk market was under pressure in 2015 with freight rates reaching historically low levels. TORM achieved pro forma TCE earnings of USD/day 5,805 (USD/day 10,831) and a gross profit/(loss) of USD -4m from its bulk activities.

- On 13 July 2015, TORM, its lenders and Oaktree completed a comprehensive restructuring of TORM's balance sheet and a transformative merger between TORM and Oaktree. The Restructuring included among other things a debt write-down of USD 536m, a USD 312m debt conversion into new equity in TORM and a contribution of 25 on-the-water vessels and six newbuildings by Oaktree. In return for the vessel contribution and the debt-to-equity conversion, Oaktree and TORM's lenders obtained equity stakes in TORM of 62% and 37% respectively following a share capital increase. Further, TORM has adopted new corporate governance provisions including minority shareholder protection rights, published a listing prospectus, elected a new Board of Directors, implemented a reverse stock split with a consolidation ratio of 1,500:1 and, on 13 January 2016, conducted a subsequent share capital decrease of the Company's treasury shares.

- During the fourth quarter of 2015, TORM took delivery of three modern second-hand MR vessels (TORM Loke (built 2007), TORM Atlantic (built 2010) and TORM Astrid (built 2012)) for a total consideration of USD 79.3m. Of the six MR newbuildings contributed by Oaktree, three were delivered during the fourth quarter of 2015. The last three were delivered during the first quarter of 2016.

- On 30 November 2015, TORM ordered four fuel-efficient LR2 newbuildings from Guangzhou Shipyard International with expected delivery in the period between the fourth quarter of 2017 and the second quarter of 2018. The agreement includes the option to purchase up to six additional vessels within the LR2, LR1 or MR segments with expected delivery in 2018 and 2019. TORM expects to have a total CAPEX relating to the four firm vessels below USD 200m.

- As of 31 December 2015, TORM's available liquidity was USD 243m and consisted of USD 168m in cash and USD 75m in undrawn credit facilities. Outstanding CAPEX relating to the order book and vessel purchases amounted to USD 224m.

- As of 31 December 2015, net interest-bearing debt amounted to USD 612m. In addition to the financial restructuring of TORM's debt, the Company has secured a total new financing of USD 93m against collateral in three MR newbuildings and two second-hand MR vessels. As of 31 December 2015, TORM's loan-to-value ratio was 52%.

- The book value of the fleet was USD 1,565m as of 31 December 2015 excluding outstanding installments on the newbuildings of USD 224m. Based on broker valuations, TORM's fleet including newbuildings had a market value of USD 1,951m as of 31 December 2015.

- Based on broker valuations, TORM's net asset value (NAV), excluding charter commitments, is estimated at USD 1,169m. This corresponds to a NAV/share of USD 18.3 or DKK 125.1.

- TORM's book equity amounted to USD 976m as of 31 December 2015. This corresponds to book equity/share of USD 15.3 or DKK 104.4.

- As of 31 December 2015, 8% of the total earning days in 2016 were covered at USD/day 23,638.

- For the full year 2016, TORM forecasts an EBITDA of USD 250-330m and a profit before tax of USD 100-180m. As 26,657 earning days are uncovered at year-end 2015, a change in freight rates of USD/day 1,000 would impact EBITDA and the profit before tax by USD 27m.

- The Board of Directors proposes that no dividend be distributed for 2015.

OUTLOOK 2016

- **For 2016, TORM forecasts a positive EBITDA of USD 250-330m and a profit before tax of USD 100-180m**
- **As of 31 December 2015, TORM had covered 2,354 earning days (8% of total earning days) at an average rate of USD/day 23,638 for 2016**

OUTLOOK

Taking the increased economic uncertainty into account, especially with regard to the financial markets and an increased volatility in the oil price, the supply and demand balance within the product tanker market is expected to remain relatively stable. Going forward, TORM expects increasing oil consumption and increased ton-mile effects from relocation of refinery capacity to have a positive effect on the demand for product tankers. The product tanker ton-mile demand is estimated to grow by a compound annual rate of slightly above 6% during 2016-2018. The estimated net growth in tonnage supply is approximately 6%. Especially during the first part of that period, the demand is expected to contribute with a positive development in the product tanker fleet utilization, while the second part might see momentum soften somewhat. Please see the “supply and demand section” on page 16-17 for more detail.

EARNINGS AND COVERAGE FOR 2016

For the full year 2016, TORM forecasts a positive EBITDA of USD 250-330m and a profit before tax of USD 100-180m.

As of 31 December 2015, TORM had covered 2,354 earning days (8% of total earning days) at an average rate of USD/day 23,638 for 2016. This means that a change in freight rates of USD/day 1,000 would impact the financial forecasts by USD 27m.

As of 31 December 2015, the interest-bearing bank debt totaled USD 767m, and TORM had fixed 65% of the interest exposure for 2016. A change in interest rates of 25 basispoints would impact the result before tax by USD 0.8m.

The most important factors affecting TORM’s earnings in 2016 are:

- Global economic growth
- Consumption of refined oil products
- Oil trading activity and developments in ton-mile trends
- Fleet growth, scrapping of vessels and delays to deliveries from the order book
- Bunker price developments
- One-off market-shaping events such as strikes, embargoes, political instability, weather conditions, etc.
- Potential difficulties of major business partners

As of 29 February 2016, the one-year time charter market can be seen in the table below, which corresponds to a weighted average 1-year T/C rate for TORM's vessels of USD/day 18.457.

2016 PROFIT SENSITIVITY TO CHANGES IN FREIGHT RATES

	Change in freight rates (USD/day)			
USDm	-2,000	-1,000	1,000	2,000
LR2	-4	-2	2	4
LR1	-5	-2	2	5
MR	-36	-19	19	36
Handysize	-8	-4	4	8
Total	**-53**	**-27**	**27**	**53**

ONE-YEAR TIME CHARTER MARKET

Source: average of selected broker assessments.

USD/day	One-year T/C rate as of 29 February 2016
LR2	25,250
LR1	21,400
MR	17,300
Handysize	15,975

Note: The time charter market has limited liquidity.

COVERED AND CHARTERED-IN DAYS IN TORM – DATA AS OF 31 DECEMBER 2015

	2016	2017	2018	2016	2017	2018
	Owned days					
LR2	2,889	2,987	4,231			
LR1	2,546	2,531	2,555			
MR	18,262	18,490	18,615			
Handysize	3,935	4,004	4,015			
Total	**27,632**	**28,012**	**29,416**			
	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	703	286	-	16,153	16,250	-
Handysize	-	-	-	-	-	-
Total	**703**	**286**	**-**	**16,153**	**16,250**	**-**
	T/C-in days at floating rate					
LR2	676	729	340			
LR1	-	-	-			
MR	-	-	-			
Handysize	-	-	-			
Total	**676**	**729**	**340**			
	Total physical days			Total covered days		
LR2	3,565	3,716	4,571	1,317	730	727
LR1	2,546	2,531	2,555	121	-	-
MR	18,965	18,776	18,615	851	-	-
Handysize	3,935	4,004	4,015	65	-	-
Total	**29,011**	**29,027**	**29,756**	**2,354**	**730**	**727**
	Covered, %			Coverage rates, USD/day		
LR2	37%	20%	16%	24,427	24,011	24,010
LR1	5%	0%	0%	29,331	-	-
MR	4%	0%	0%	21,956	-	-
Handysize	2%	0%	0%	19,068	-	-
Total	**8%**	**3%**	**2%**	**23,638**	**24,011**	**24,010**

Fair value of freight rate contracts that are mark-to-market in the income statement: Contracts not included above USD 0.2m, contracts included above USD 0.0m.

Notes: Actual no. of days can vary from projected no. of days primarily due to vessel sales and delays of vessel deliveries. T/C-in days at fixed rate do not include effects from profit split arrangements. T/C-in days at floating rate determine rates at the entry of each quarter, and then TORM will recieve approximately 10% profit/loss compared to this rate.

STRATEGIC AMBITION

- **TORM aims to be regarded as the reference company in the product tanker segment**
- **Pure-play product tanker owner focusing on selective fleet growth opportunities**
- **Strong capital structure provides TORM with financial and strategic flexibility**

PURE-PLAY PRODUCT TANKER OWNER-OPERATOR

TORM is one of the world's largest product tanker companies with an owned fleet as of 31 December 2015 of 74 vessels on-the-water and seven newbuildings. TORM is active within all large product tanker segments (LR2, LR1, MR and Handy), which is an improtant factor in meeting customer demands, as most global customers move between segments depending on market level and trading requirements. During 2015, the Company completed the transformation to a pure-play product tanker company in order to take full advantage of the promising long-term supply-and-demand fundamentals in this particular segment and TORM's tanker expertise.

Our chartering strategy is to employ vessels primarily in the spot market, as this will enable TORM to take advantage of the currently strong freight rate environment. TORM may seek to employ its vessels on longer-term time charters, if customer needs and expected returns make it attractive. TORM will only to a limited extent enter into long-term T/C-ins or other off-balance sheet commitments due to its own scale. Short-term charter-in agreements (<12 months) are considered and evaluated as an active part of the spot market approach.

ONE TORM – SUPERIOR INTEGRATED OPERATING PLATFORM

TORM's fleet is managed cost-efficiently and effectively by the in-house commercial and technical management team, which has a reputation for strong commercial performance, safety and a high level of operational expertise. Under the One TORM approach, employees cooperate to ensure the high quality of the product tanker fleet that is essential for acceptance by customers under their strict vetting criteria. TORM believes that the largest customers prefer the integrated operating model, as it provides them with better insight and accountability into safety and vessel performance.

Management believes that the combination of well-maintained vessels, presence in all product tanker segments and the integrated operating platform provide the commercial management team with enhanced flexibility and responsiveness to customer demands. As a result, TORM has consistently delivered TCE earnings and cash flows that are better than the industry average.

The integrated nature of TORM's operating platform provides additional alignment of management and shareholder interests and transparency, which the Company believes mitigates the potential for actual or perceived conflicts of interests with related parties. In addition, it allows for closer control over operating expenses.

TORM has critical mass with a diverse fleet of well-maintained product tankers spanning all product tanker segments. The Company believes that the largest customers prefer that we manage our own vessels, as this structure provides TORM with a competitive advantage versus smaller operators, including greater access to information and reduced operating costs.

SELECTIVE FLEET GROWTH

TORM may selectively grow the product tanker fleet and serve as a consolidator in the product tanker segment if the right opportunities arise. TORM's vessel sale and purchase activities are conducted by an in-house team leveraging relationships with shipbrokers, shipyards, financial institutions and shipowners. TORM is continuously scanning the market for attractive opportunities to acquire high-specification second-hand product tankers that will be franchise enhancing and financially accretive. The specific acquisition criteria include for example:

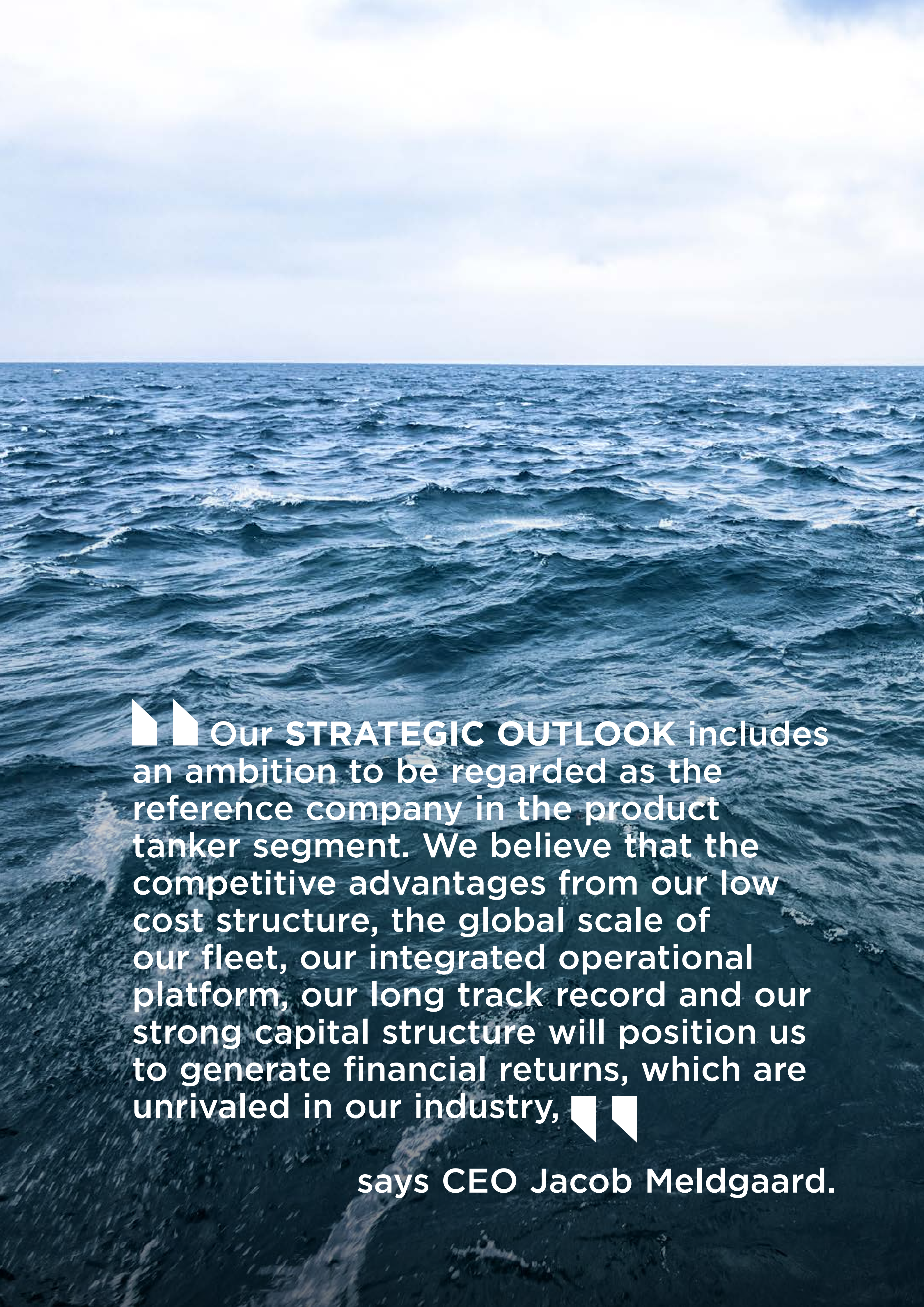
- Price point attractiveness
- Complementarity to the current fleet
- Vessel quality level and origin (quality yard)
- Operational characteristics incl. main engine design, bunker consumption and cargo intake

TORM may also selectively pursue attractive newbuilding programs with high-quality shipyards, where second-hand purchases do not meet TORM's return thresholds, or where the second-hand market has insufficient liquidity in vessels that meet customer requirements. TORM's in-house technical management has significant experience in newbuilding projects from design to delivery.

TORM will from time to time sell vessels that no longer fit the commercial strategy, or if the price obtained is deemed attractive.

STRONG CAPITAL STRUCTURE

TORM has a strong capital structure with a moderate debt level, consistent with our strategy. The Company has an attractive debt profile with favorable interest rates, amortization schedule and covenants. This gives TORM the financial and strategic flexibility to selectively grow. In addition, the balance sheet strength gives a competitive advantage when pursuing vessel acquisitions, as counterparties have recently displayed a preference for contracting with well-capitalized counterparties. TORM plans to finance its business and fleet growth with a mix of cash on hand as well as financing from lenders and from the capital markets.



Our **STRATEGIC OUTLOOK** includes an ambition to be regarded as the reference company in the product tanker segment. We believe that the competitive advantages from our low cost structure, the global scale of our fleet, our integrated operational platform, our long track record and our strong capital structure will position us to generate financial returns, which are unrivaled in our industry,

says CEO Jacob Meldgaard.

TANKER SEGMENT

- **Product tanker freight rates reached the highest level since 2008**
- **Optimized TCE results across the One TORM platform**
- **Selective fleet growth with six additions to the owned fleet during 2015**

In 2015, TORM's product tanker fleet realized average pro forma spot TCE earnings of USD/day 22,986 or up 48% year-on-year, with the LR2 segment at USD/day 27,884, the LR1 segment at USD/day 26,047, the MR segment at USD/day 21,998 and the Handy segment at USD/day 20,942. TORM's Tanker Division achieved a pro forma gross profit of USD 365m (USD 171m), which was an increase of USD 194m year-on-year and primarily due to increased freight rates.

In the first half of 2015, the product tanker market benefitted from higher refinery margins due to falling crude oil prices. The higher refinery margins resulted in increased production of clean petroleum products on a global scale. In addition to an increase in US consumer demand for gasoline, the market saw increased volumes of gasoline and gasoil moving towards South and Latin America from the USA, high European exports of products to West Africa and large volumes of naphtha to the Far East on the larger vessels. The newly added refinery facilities in the Middle East also contributed to an increase in export volumes. Due to the increased oil supply, freight rates for dirty vessels in all sizes showed remarkable strength. This caused a larger part of the LR2 fleet to switch into dirty trade, thereby strengthening the clean tanker freight rates.

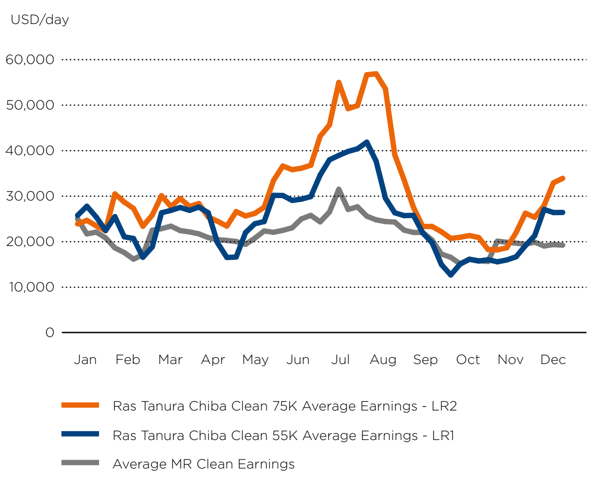
During the second half of 2015, product tanker freight rates reached the highest level since 2008. Subsequently, a seasonal reduction in US gasoline demand as well as sharp declines in West African demand caused the markets to soften in the western hemisphere. In the Middle East, seasonal maintenance of refineries reduced output despite continuous high refinery margins. During the fourth quarter of 2015, global petroleum product stocks in consuming areas rose to record levels and refinery margins contracted, resulting in a reduction of long-haul arbitrage movements.

Asset prices on second-hand product tankers have been relatively flat in 2015 compared to 2014 despite freight rate improvements (source: Clarksons).

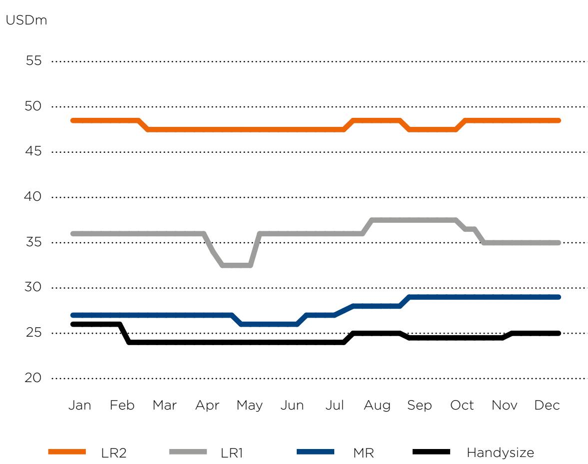
TORM's integrated platform ensured close cooperation between the commercial and technical divisions to optimally employ and operate the entire fleet across all segments, thereby delivering TCE earnings and cash flows that are better than the average of industry peers. In fact, TORM has been able to obtain freight rates in line with or above product tanker peers with an average fleet age lower than TORM's.

In 2015, 28 TORM vessels spent time in planned dry-dock. Close coordination across the One TORM platform enabled the Company to optimize cash flows by assessing the

TANKER FREIGHT RATES 2015
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND PRODUCT TANKERS IN 2015
Source: Clarksons



trade-off between TCE earnings on the voyages to and from the dry-docks and dry-docking costs by ensuring that dockings were performed at optimal locations.

During the second half of 2015 and following the Restructuring, TORM started to grow its fleet of product tankers on a selective basis. Contracts for six MR newbuildings were taken over as part of the Restructuring of which three were delivered during the fourth quarter of 2015 and the last three were delivered during the first quarter of 2016. In addition, TORM purchased three modern second-hand MR vessels during the year. Towards the end of the year, TORM placed an order for four LR2 newbuildings at Guangzhou Shipyard International with expected delivery in the period between the fourth quarter of 2017 and the second quarter of 2018 and with options for up to six additional vessels. At the end of 2015, TORM operated a fleet of 78 vessels of which 74 are fully owned and four are chartered in.

TORM'S RESULTS IN THE TANKER SEGMENT

	2014		**2015**			2015
USDm	**Total**	Q1	Q2	Q3	Q4	**Total**
PRO FORMA INCOME STATEMENT						
Revenue	766.8	215.1	207.8	235.5	185.6	844.0
Port expenses, bunkers and commissions	-383.3	-72.8	-68.3	-71.3	-57.3	-269.7
Time charter equivalent earnings	**383.5**	**142.3**	**139.5**	**164.2**	**128.3**	**574.3**
Charter hire	-17.3	-5.7	-5.9	-6.4	-5.3	-23.3
Operating expenses	-195.6	-46.3	-46.4	-43.9	-49.9	-186.5
Gross profit (Net earnings from shipping activities)	**170.6**	**90.3**	**87.2**	**113.9**	**73.1**	**364.5**

TANKER SEGMENT – SUPPLY AND DEMAND

- **Supply and demand balance is forecasted to remain stable**
- **Current order book indicates a high number of deliveries in 2016-2017**
- **Ton-mile demand continues to be driven by increased oil consumption and relocation of refineries**

SUPPLY
In 2015, the global product tanker fleet grew by 6.5% in terms of capacity and 5.9% in terms of number of vessels. This was the highest growth since 2009, but the figure covers considerable differences between the individual segments. The growth was ranging from -0.3% for the LR1 segment to 10.5% for LR2 vessels. Over the next two years, the LR1 segment will see increasing fleet growth following substantial ordering in 2014-2015.

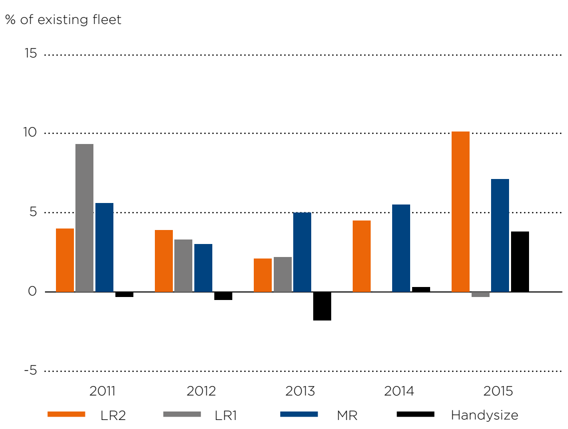
SCRAPPING
In 2015, around 0.8m dwt of product tanker capacity was scrapped, corresponding to approximately 0.6% of the fleet capacity at the beginning of the year. Compared to 2014, scrapping activity slowed down and corresponds to the lowest level of scrapping since 2008. It is expected that approximately 3% of the existing capacity in the global fleet will be phased out or scrapped during 2016-2018.

	Fleet start 2015	Delivered in 2015	Scrapped in 2015	Fleet end 2015	Order book for 2016-2018	2016-2018 order book as % of end 2015 fleet
LR2	258	27	0	285	98	34%
LR1	327	1	2	326	66	20%
MR	1,393	107	4	1,496	211	14%
Handysize	652	42	16	678	85	13%
Total	**2,630**	**177**	**22**	**2,785**	**460**	**17%**

CURRENT NEWBUILDING ORDER BOOK
The number of newbuilding orders placed in 2015 increased by 94 vessels, corresponding to 75% higher activity than in 2014 and 33% higher activity than the 10-year average. Ordering activity increased in the MR, LR1 and LR2 segments, while the Handysize segment saw less interest. At the end of 2015, the existing order book for deliveries in 2016-2018 totaled 460 vessels, including 98 LR2 vessels, 66 LR1 vessels, 211 MR vessels and 85 Handysize vessels.

CANCELLATIONS AND POSTPONEMENTS
In 2015, only 77% of the deliveries scheduled for the year actually materialized, and TORM expects to see some slippage taking place also in 2016.

YEARLY NET FLEET GROWTH (BASED ON NO. OF VESSELS)
Source: SSY

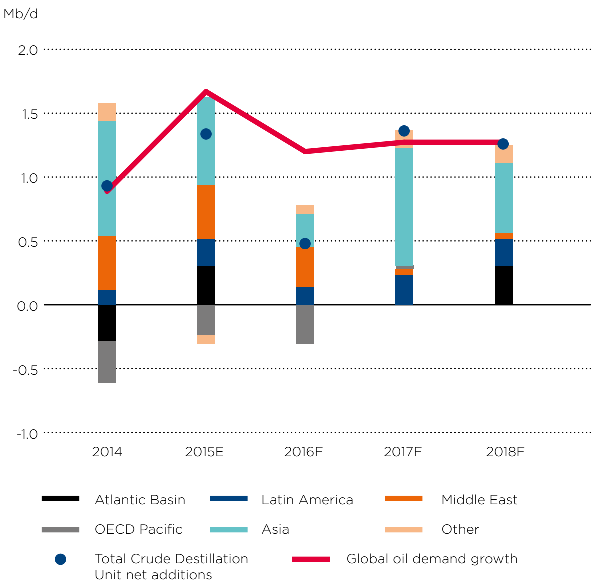


CONTRACTING OF NEWBUILDINGS
TORM anticipates limited ordering of new product tankers with delivery before the end of 2017. The Company expects ordering activity in 2016 to slow compared to the 2015 level, as the more stringent Tier III regulations take effect from 1 January 2016. During 2016-2018, the product tanker fleet capacity is estimated to grow by a compound annual rate of approximately 6%. Positive developments in the crude market could potentially lower the growth in available tonnage supply.

OIL DEMAND AND TON-MILE DEMAND
While global economic growth remained relatively lackluster in 2015, global oil demand surprised to the upside, increasing by 1.7 mb/d (1.8%) (source: IEA January 2016). This marked the highest growth in five years and was driven by main economies such as China, the USA, India and Europe. Gasoline dominated demand growth, positively affected by crude oil prices dropping by 46% from the 2014 average level. However, sluggish global economic growth put pressure on demand for gasoil/diesel, with stronger demand from India and Europe only somewhat mitigating this effect. In 2016, global oil demand is forecasted to grow by 1.2 mb/d (1.3%) (source: IEA January 2016), closer to its long-term trend pace. Based on the preliminary data, demand for product tankers is estimated to have grown by 11% in 2015.

REFINERY CAPACITY AND TRANSPORTATION
Low crude oil prices and strong demand for gasoline in particular resulted in record high refinery margins in several regions. This coupled with new refining capacity coming online led to a 1.6 mb/d increase in global refinery runs in 2015. Surprisingly, much of this increase came from Europe, where refinery runs were up 6% year-on-year, at the same time as Latin America and the Former Soviet Union witnessed cutbacks (source: Wood Mackenzie). As refineries operated at full capacity to meet rising demand for gasoline, gasoil/diesel inventories climbed to new highs, with subdued global industrial activity failing to absorb the growing supply.

GLOBAL OIL DEMAND GROWTH AND NET REFINING CAPACITY ADDITIONS
Source: TORM



According to TORM estimates, the net global refinery capacity is expected to grow by more than 3.0 mb/d during 2016-2018. The majority of the refinery additions continue to come from Asia and the Middle East. In the latter region, new refineries that experienced some start-up problems in 2014-2015 have reached their full capacity. Together with the additional supply, these refineries are likely to lead to more oil products being transported long-haul.

Over medium term, the additional refining capacity will put renewed pressure on European refiners. TORM expects this to lead to cuts in refinery activity in Europe and consequently growing diesel imports from Russia, the US Gulf and – to an increasing degree – from the new refineries in the Middle East. Currently, high gasoil/diesel stockpiles in Europe, however, could somewhat soften the need for imports in 2016.

Despite weak oil demand in 2015 in several South American countries, the region remains an important product importer in the medium and long term. Continued demand for naphtha in the Far East will increasingly be met by supplies from the Atlantic Basin, adding to average trade distances. The lifting of the US crude oil export ban combined with limited pipeline capacity between the US Gulf and the US East Coast and the presence of the Jones Act entail sustained gasoline imports from Europe to the US East Coast.

Consequently, the product tanker ton-mile demand is estimated to grow by a compound annual rate of slightly above 6% during 2016-2018.

SWING FACTORS
The main factors likely to change this outlook in either a negative or a positive direction include the impact of sustained low oil prices on demand and trade patterns, a potential trend towards substantial floating storage underpinned by deepening price contango or logistical constraints, higher-than-expected newbuilding contract activity and order conversions. Other factors that could affect the outlook are slower refining industry rationalization in Europe, the export strategy of the new Middle Eastern refineries as well as a slower-than-forecasted shift in the Russian refining sector's exports from fuel oil to cleaner products and uncertainty around China's ambitions for product exports. Similarly, product price volatility and the resulting arbitrage flows are potential swing factors.

Another swing factor that affects the supply of vessels available for transportation of clean products is substitution of tonnage between dirty and clean product transportation. With demand for crude tankers expected to stay resilient at least throughout 2016, supported by OPEC's apparent determination to maintain its crude market share, an increasing number of product tankers could switch to the dirty segment.

BULK SEGMENT

- **TORM completed the wind-down of its bulk activities**
- **Freight and charter rates continued at historically low levels**

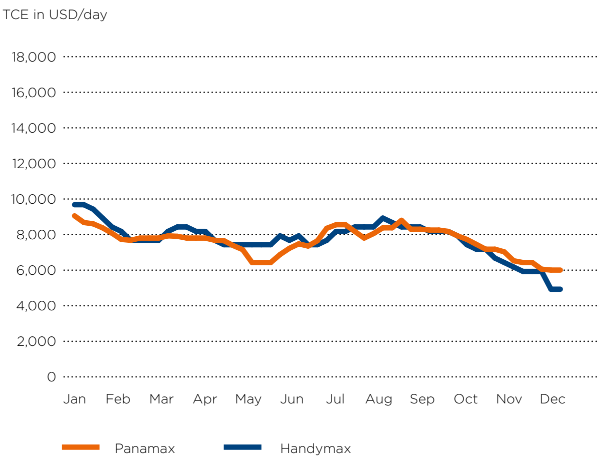
In line with the Company's strategy from 2013 to exit the dry bulk market, TORM has sold its two owned bulk carriers and redelivered its last time charter vessels during the second half of 2015. With this, TORM has completed the wind-down of its bulk activities.

The dry bulk market remained at historically low levels during 2015. The average Panamax spot market was USD/day 5,561 (7,718), which is 76% under the 10-year average (source: BPI). The depressed spot market led to an erosion of the period market where the rate for a one-year period was about USD/day 6,000 by the end of 2015 (source: Clarksons).

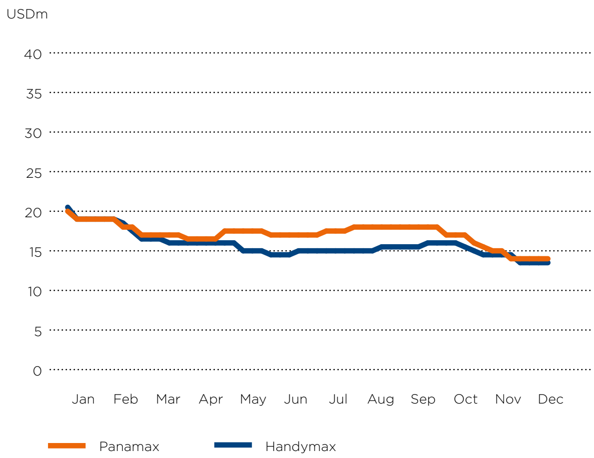
Parallel to the weak spot and period market, the second-hand asset prices developed negatively, and the price for a five-year-old second-hand Panamax bulk carrier declined by almost 30% during the year (source: Clarksons).

The pro forma gross profit/(loss) for the Company's bulk activities was USD -4m (USD 1m) for the year, which was negatively affected by costs incurred in connection with the vessel sales, bunker inventories and prior period adjustments.

BULK TIME CHARTER FREIGHT RATES 2015
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND DRY BULK CARRIERS IN 2015
Source: Clarksons



TORM'S RESULTS IN THE BULK SEGMENT

	2014	2015				2015
USDm	**Total**	Q1	Q2	Q3	Q4	**Total**
PRO FORMA INCOME STATEMENT						
Revenue	27.0	5.2	3.2	1.5	0.4	10.3
Port expenses, bunkers and commissions	3.8	-1.6	-0.5	-0.6	0.1	-2.6
Time charter equivalent earnings	**30.8**	**3.6**	**2.7**	**0.9**	**0.5**	**7.7**
Charter hire	-25.5	-4.5	-3.0	-0.5	-0.1	-8.1
Operating expenses	-3.9	-1.0	-0.9	-0.7	-0.5	-3.1
Gross profit (Net earnings from shipping activities)	**1.4**	**-1.9**	**-1.2**	**-0.3**	**-0.1**	**-3.5**

Our **EXPERIENCED PEOPLE** at sea and ashore constitute an important part of TORM. The positive commitment and engagement continued throughout 2015 with strong retention levels,

says CEO Jacob Meldgaard.

RESTRUCTURING

On 13 July 2015, TORM, its lenders and Oaktree successfully completed a comprehensive restructuring of TORM's balance sheet and a transformative merger between TORM and Oaktree. The Restructuring was highly complex involving multiple jurisdictions and constituents.

The result of the Restructuring was the creation of one of the largest owner-operators of product tankers with a diversified portfolio of product tankers including LR2, LR1, MR and Handysize. Thereby, TORM has regained its financial and strategic flexibility to further develop the Company and invest in growth opportunities. The most important elements of the Restructuring are summarized here.

RESTRUCTURING OF THE BALANCE SHEET

Prior to the Restructuring, the total outstanding debt amounted to USD 1.4bn and thereby exceeded the asset values, giving TORM a loan-to-value ("LTV") ratio of 164%. The financial restructuring occurred in three interlinked steps:

1. **Mandatory exchange of debt**
   Lenders wrote down USD 536m of debt in exchange for warrants giving the right to subscribe for 7.5% of the post-restructuring equity at a strike price of DKK/share 96.3. This gave TORM an LTV of approximately 100% including vessel and non-vessel values.

2. **Optional exchange of further debt into equity**
   Following the mandatory debt write-down, the lenders had the option to exchange further debt for new equity in TORM. In aggregate, the lenders chose to convert debt that after adjustments gave TORM a net asset value (NAV) of USD 312m. The remaining debt after the optional exchange amounted to USD 561m reinstated in a New Term Facility that matures in 2021.

3. **Asset contribution by Oaktree**
   Finally, Oaktree contributed entities controlling 25 on-the-water product tankers and six MR newbuildings, appraised at USD 742m in total as of 30 June 2015. In exchange, Oaktree received a controlling equity stake of 62% in TORM. As of 13 July 2015, the contributed vessels had associated debt of USD 134m under a loan facility with Danish Ship Finance.

The result of the financial restructuring was an LTV of 51% giving TORM a strong capital structure.

OTHER MAIN RESTRUCTURING TERMS

As part of the Restructuring, other terms were agreed:

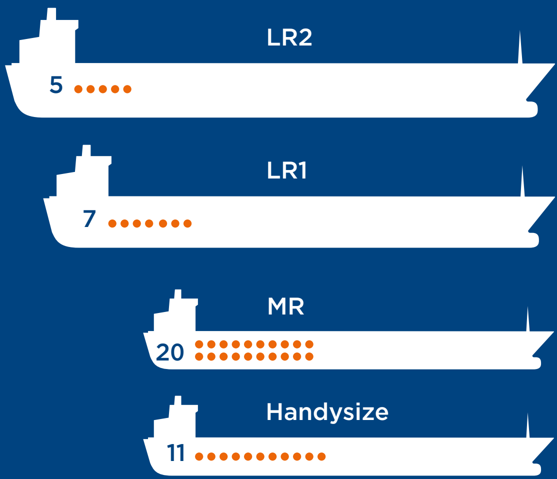
New Working Capital Facility: Certain of the lenders provided TORM with a USD 75m New Working Capital Facility.

New corporate governance provisions: New provisions have been adopted to enable efficient corporate governance of the Company and to incorporate minority shareholder protection.

Official listing of new A shares: As part of the Restructuring, new A shares were issued and subsequently admitted to trading and official listing on Nasdaq Copenhagen by the end of July 2015.

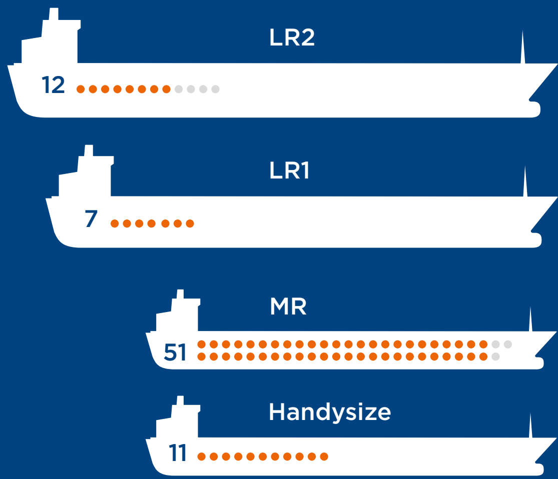
PRE-
RESTRUCTURING

PRODUCT TANKER OWNER WITH A FLEET OF 43 VESSELS



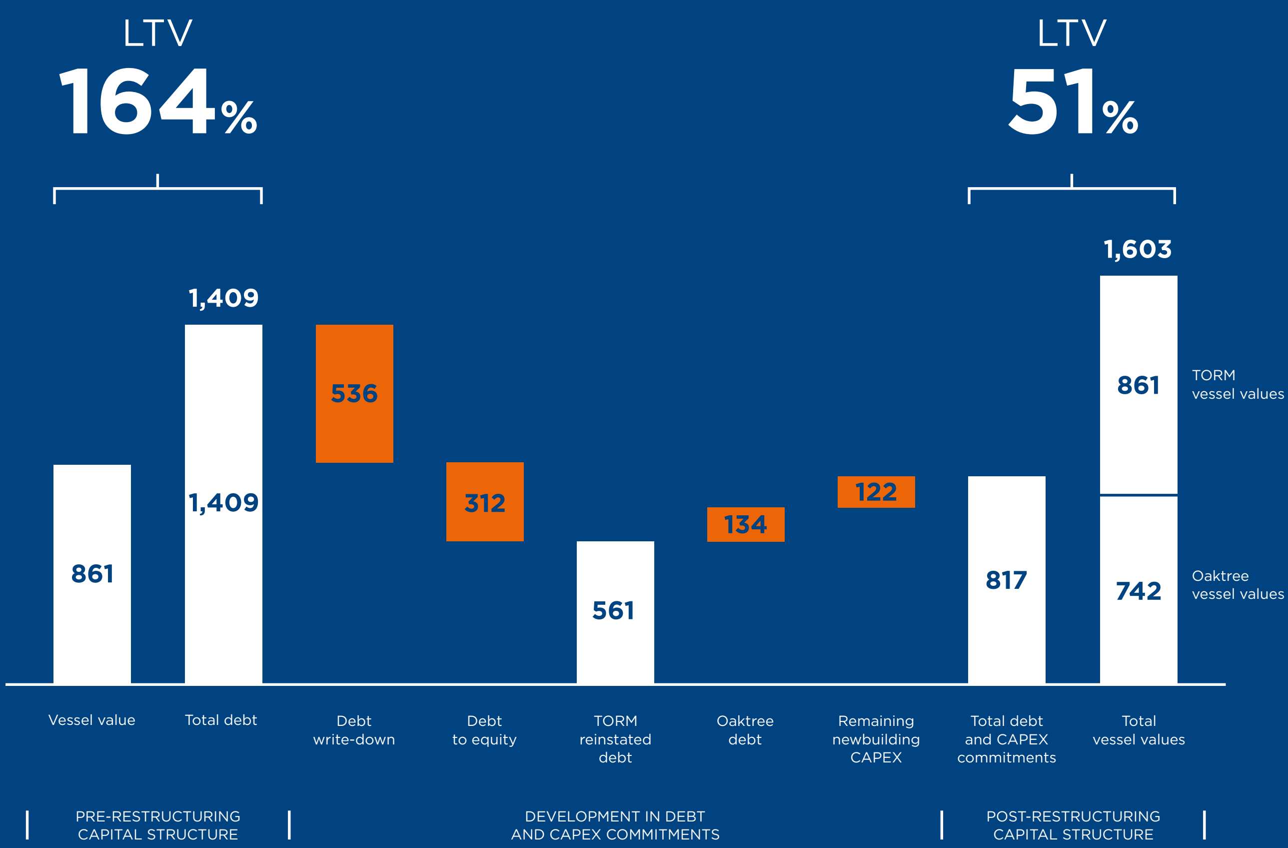
POST-
RESTRUCTURING
(31 DECEMBER 2015)

TOP THREE PRODUCT TANKER OWNER-OPERATOR WITH 74 ON-THE-WATER VESSELS AND SEVEN NEWBUILDINGS



• On-the-water vessels • Newbuildings

RESTRUCTURING OF THE BALANCE SHEET - JULY 2015



Note: Vessel values are based on 30 June 2015 broker values. Debt write-down and debt-to-equity conversions have been simplified and include other minor elements.

PEOPLE

- **Corporate safety campaign launched**
- **Continued focus on the cooperation between TORM's vessels and the shore organization**
- **Employee satisfaction survey demonstrates highly motivated and dedicated employees**

SAFETY
The safety of the Company's employees – whether on land or at sea – is a top priority, and TORM considers it important to maintain this focus and remind employees to look out for each other. In 2015, a campaign to re-emphasize TORM's safety culture was launched ashore and at sea under the headline "STOP Unsafe Operations".

COMPLIANCE
In 2015, TORM further developed and improved the Company's compliance programs. As part of this effort, TORM introduced a Fraud Awareness and Prevention Program for all seafares and employees on shore.

SEAFARERS
The seafarers' positive commitment and engagement continued throughout 2015 with a strong retention rate of 99% for Senior Officers and 100% compliance with customer requirements (the so-called officer matrix compliance).

In 2015, TORM focused on improving the planning phase to ensure that seafarers can rejoin the same vessels as often as possible. This has resulted in greater commitment and higher job satisfaction among the Company's seafarers, to the benefit of both the seafarers and TORM.

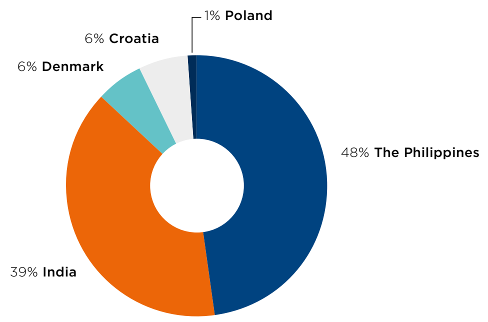
Furthermore, TORM continued to focus on the cooperation between the Company's vessels and the support from the shore organization. By introducing a project called "Just Culture", TORM has highlighted and started to harvest the benefits of an open, honest and transparent communication and execution culture. During the year, this has improved the cooperation between seafarers and land-based organization regarding the operation of TORM's vessels.

In the second half of 2015, TORM's pool of seafarers increased, as the Company took over six MR newbuildings as part of the Restructuring. This created a positive challenge for the part of the organization which is responsible for recruiting, training and developing TORM's seafarers. This period has especially opened opportunities for creating a motivating environment with regard to promotion of TORM's experienced seafarers.

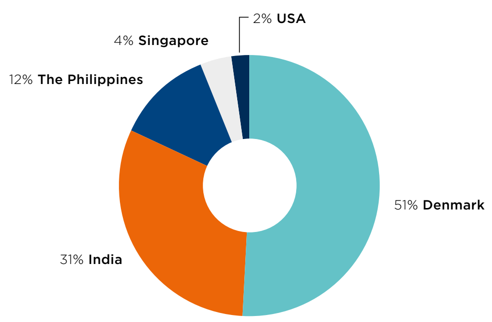
In 2015, TORM continued to carry out seminars for the Company's Senior Officers with a focus on safety and the One TORM platform. During the year, TORM has also worked on ways to optimize the structure of the Officers' seminars, for example by introducing local mini seminars for up to 20 officers in either Manila, Mumbai or Copenhagen.

SHORE ORGANIZATION
Throughout 2015, TORM's shore organization maintained full attention on delivering to the One TORM operational platform. By acting according to TORM's Leadership Philosophy, each leader has ensured continued high motivation and performance among the shore staff. Retention levels have been kept at a satisfactory level, which has been central for TORM's ability to serve its customers professionally and with full attention to quality.

GEOGRAPHICAL DISTRIBUTION OF SEAFARERS IN %
100% = 3,004 seafarers at the end of 2015 incl. contracted crew

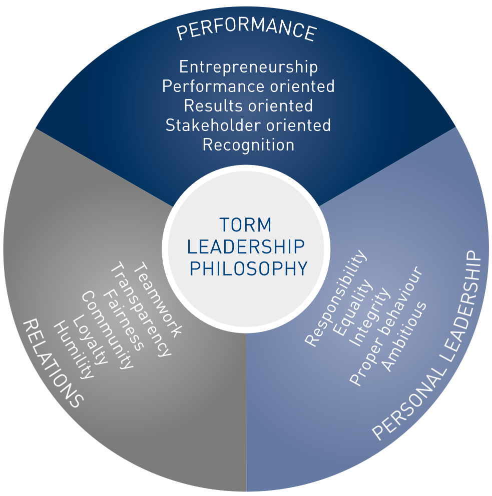


GEOGRAPHICAL DISTRIBUTION OF LAND-BASED EMPLOYEES IN %
100% = 271 employees at the end of 2015



All employee initiatives in 2015 have been directed towards ensuring a transparent and safe working environment with a strong focus on "business as usual". Leaders have focused on individual performance management as well as people and team development.

As a result of these efforts, a high degree of motivation and engagement was demonstrated with 96.9% of all shore-based employees participating in the voluntary annual employee satisfaction survey. Results of the survey gave clear indications of continued highly motivated employees at TORM's five offices.



The TORM Leadership Philosophy has three dimensions: Performance, Relations and Personal Leadership.

Each dimension has associated behaviors, which guide TORM's employees in terms of how to think and act.

In 2015, TORM launched the "STOP Unsafe Operations" campaign across land and sea to re-emphasize the Company's safety culture.

CORPORATE SOCIAL RESPONSIBILITY

- **Implemented new vessel reporting system to drive energy-efficient behavior**
- **Propeller boss cap fins and Mewis ducts retrofitted to reduce oil consumption and CO_2 emissions**
- **Ongoing monitoring of risk situation to pre-empt hijacking**

REPORTING AND TRANSPARENCY

TORM's approach to Corporate Social Responsibility (CSR) is rooted in the Company's values and based on TORM's commitment to the UN Global Compact, an internationally recognized set of principles regarding health, safety, labor rights, environmental protection and anti-corruption. The importance of CSR is also emphasized in the One TORM strategic direction and TORM's Business Principles.

TORM signed the UN Global Compact in 2009 as the first Danish shipping company. Since then, the Company has reported on its social and environmental performance every year to ensure progress and accountability to stakeholders. The Company believes that accountability in all aspects is necessary in order to be the preferred carrier in the industry.

Responsible behavior is central to the way TORM does business. TORM's CSR policy has the following overall objectives:

- Comply with statutory rules and regulations in order to ensure that all employees are able to execute their work under safe, healthy and proper working conditions
- Strive to eliminate all known risks that may result in accidents, injuries, illness, damage to property or to the environment
- Integrate sustainability into TORM's business operations
- Avoid any form of corruption or bribery
- Make TORM's CSR performance transparent to all stakeholders

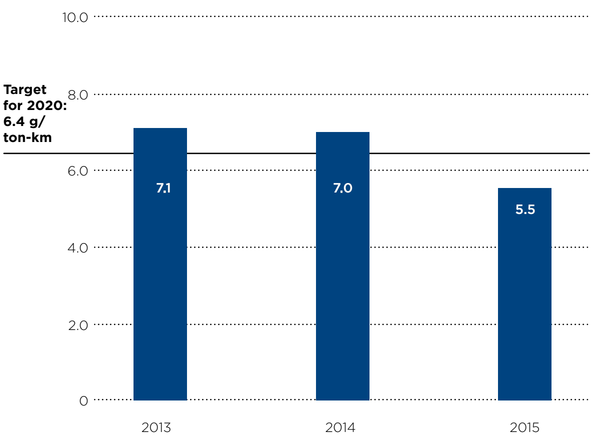
RESPONSIBILITY

TORM's CSR commitment is not limited to the Company's own business practices, as real impact often requires industry collaboration. TORM cooperates with peers and stakeholders in a number of areas to increase responsibility in the shipping industry and the supply chain. As a member of the Danish Shipowners' Association's CSR work group and co-founder and member of the Maritime Anti-Corruption Network, TORM strives to increase corporate transparency and accountability and minimize corruption.

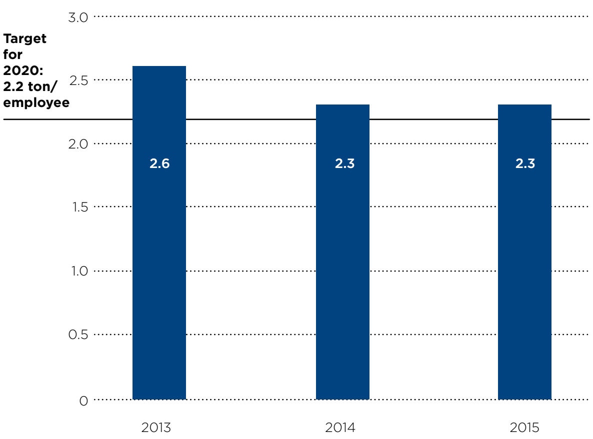
INSPECTIONS AND AUDITS

In order to exceed the standards set by stakeholders, the Company has enhanced the vetting preparations and increased the number of internal vettings on the vessels carried out by SQE officers. On average, each product tanker is subject to ten inspections a year. Inspections are

CO_2 EMISSION PER VESSEL PER G/TON-KM
Source: TORM



CO_2 EMISSION PER OFFICE EMPLOYEE IN TON
Source: TORM



carried out by customers, terminals, internal auditors, ports and classification societies. TORM is committed to meeting and outperforming the ever increasing standards set both internally and by customers.

ENVIRONMENT AND CLIMATE

Marine pollution constitutes the largest environmental risk, and TORM takes care to avoid pollution of the seas and the atmosphere. This includes measuring CO_2 emissions per ton-km and per office employee as well as striving to avoid accidental releases of pollutants to the environment.

CLIMATE PERFORMANCE

TORM has reduced the year-on-year CO_2 emissions from 7.0 to 5.5 g/ton-km, or by approximately 32% since 2008. This is primarily driven by increased fuel efficiency. In 2016, TORM will continue to invest in fuel efficiency projects. CO_2 emissions from TORM's offices were steady at 2.3 ton per employee year-on-year. Since 2008, TORM has improved performance on this measure by approximately 20%. Given that TORM has reached its CO_2 emission per vessel target for 2020, the Company will review whether to introduce a new target in this area.

FUEL EFFICIENCY

TORM takes a proactive approach to fuel efficiency, as this has a significant environmental and economic impact. During 2015, TORM installed retrofit equipment on a number of vessels, such as propeller boss cap fins and Mewis ducts, to reduce oil consumption and CO_2 emissions. Furthermore, TORM continued initiatives to strengthen energy-efficient navigation, including upgrades of auto-pilots and voyage decision support software.

To drive energy-efficient behavior, TORM has implemented a new vessel reporting system. Furthermore, a department dedicated to monitor fuel consumption and follow up on energy usage constantly works to ensure optimal fuel consumption on board TORM's vessels.

TORM will continue these efforts in 2016 with a number of additional initiatives, including close follow-up on performance indicators for the vessels.

OIL SPILLS

In 2015, TORM experienced zero oil spills larger than one barrel, but two smaller oil spills over board of less than one barrel. All incidents were investigated and procedures revised where required.

HEALTH, SAFETY AND SECURITY

Approximately 90% of TORM's employees work at sea, and providing healthy, safe and secure working conditions for them is an essential part of the business. Respecting employees' human rights is pivotal to the Company, and policies are outlined in TORM's Business Principles*) and the commitment to the UN Global Compact. The Company's safety policy is rooted in the rules and regulations issued by the Danish Maritime Occupational Health Service.

*) TORM's Business Principles consist of five principles which ensure that TORM remains a trustworthy and attractive business partner: 1) Maintaining a good workplace, 2) Reducing environmental impact, 3) Respecting people, 4) Doing business responsibly and 5) Ensuring transparency.

In June 2015, one of TORM's product tankers, TORM Arawa, performed a Search and Rescue Operation in the Mediterranean Sea and rescued the lives of more than 200 boat refugees. This is part of a trend that has continued since 2014.

SAFETY CULTURE

A strong safety culture is central to TORM, and the Company has not experienced any work-related fatalities in 2015. Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work. During 2015, TORM had an LTAF of 0.96 (1.49). The decrease from 2014 to 2015 is caused by four accidents less. The definition of LTAF follows standard practice among shipping companies.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A high number of near-miss reports indicate that the organization is aware of the risks and responds to them. In 2015, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.6 due to continued focus on this area.

PIRACY

TORM's response to piracy is founded in the Best Management Practice (BMP) developed by the International Chamber of Shipping, the International Shipping Federation and national navy forces. In 2015, TORM experienced four robberies and one suspicious approach. The BMP was updated at the end of the year, where the High Risk Area was reduced in size. Furthermore, the Company again observed a significant reduction in the number of piracy attacks in the High Risk Area off the African Horn. Piracy activity in the West African region, centered around the Gulf of Guinea, has been monitored thoroughly throughout the year. The number of piracy attacks in this region remains stable, although a reduction was observed in the beginning of the year. Piracy activity in south-east Asia has been monitored thoroughly throughout the year, as a slight increase in reported robbery attempts has been observed. The Company will continue to monitor the risk situation and pre-empt hijacking by following Company security procedures. TORM made 264 voyages with armed guards in 2015 against 175 in 2014. The increase is primarily due to changed trading patterns. A decrease from 2015 to 2016 is expected due to the changes in the boundaries of the High Risk Area.

LOCAL COMMUNITIES

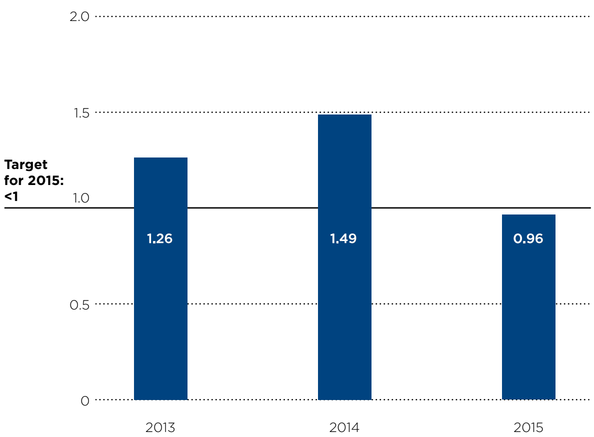
The Company has been a long-standing supporter of maritime education in India and the Philippines. This commitment also has a strategic purpose and reflects the Company's ties to local communities. TORM is not yet measuring the results of this commitment, but expects to be able to give an account of the results in the next annual report.

This section constitutes TORM's reporting according to the requirements of The Danish Financial Statements Act on CSR.

TORM reports to the UN Global Compact. To see the reports, please visit **www.unglobalcompact.org**

LOST TIME ACCIDENT FREQUENCY (LTAF)
Source: TORM

LTAF = work-related personal injuries that result in more than one day off work per million hours of work



RISK MANAGEMENT

- **TORM's risk profile is positively impacted by the Restructuring – primarily due to lower risk around the capital structure**
- **Market risks remain high, but TORM is well-positioned for a relatively strong product tanker market**

TORM believes that a strong risk management framework is vital to protect the Company and to ensure that the Company is well-positioned in key markets. The objective remains a balance of risk and reward generating the most value for shareholders. TORM has constituted a new Risk Committee at Board level, which is a sign of the Company's commitment to monitoring and maneging risks.

Risks are defined as all events or developments that could significantly reduce TORM's ability to sustain the long-term value of the Company.

The risk management approach emphasizes management accountability and broad organizational anchoring of risk management and mitigation activities. The approach is based on a combination of overall risk management tools such as scenario and sensitivity analyses, active monitoring of the risk profile and specific policies governing the risk management in all key areas. Finally, there is a verification process for the adequacy of TORM's risk management infrastructure.

The key risks associated with TORM's activities can broadly be divided into the four main categories described in the figure below.

Adequate management of operational and compliance risks within TORM's risk tolerance limits is a prerequisite for TORM to succeed as a tanker owner and operator.

The Executive Management and the Board of Directors discuss and decide on the Company's tolerance of the most significant risks, while the Executive Management is responsible for the ongoing monitoring of risks and implementation of mitigating actions. TORM's overall risk tolerance for and inherited exposure to risks in each of the four main categories are detailed below.

LONG-TERM STRATEGIC RISKS ("RISK-SEEKING")

Risks and opportunities beyond the immediate strategy window are monitored by the Executive Management and incorporated in updates of the corporate strategy. Industry-changing risks, such as the substitution of oil for other energy sources, technological changes and radical changes in transportation patterns, are considered to have a relatively high potential impact, but are considered as long-term risks.

INDUSTRY AND MARKET-RELATED RISKS ("RISK-SEEKING")

TORM's business is sensitive to changes in market-related risks such as changes in the global economic situation, changes in freight rates in the product tanker market and changes in bunker prices. It remains a cornerstone of the Company's strategy to actively pursue this type of risk by taking positions to benefit from fluctuations in freight rates.

OPERATIONAL AND COMPLIANCE RISKS ("RISK-AVERSE")

TORM aims at maintaining its position as a quality operator with high focus on operating vessels in a safe and reliable manner. Consequently, commercial operations are an important part of TORM's business model. This area involves potentially severe risks with respect to environment, health, safety and compliance. TORM constantly focuses on reducing these risks through rigorous procedures and standardized controls carried out by well-trained employees. Quality-enhancing measures were implemented during 2015 and will continue in 2016.

MAIN RISKS ASSOCIATED WITH TORM'S ACTIVITIES

LONG-TERM STRATEGIC RISKS	INDUSTRY AND MARKET-RELATED RISKS	OPERATIONAL AND COMPLIANCE RISKS	FINANCIAL RISKS
• Political risks • Substitution of oil • Technological changes	• Macroeconomic development • Freight rate fluctuations • Bunker price fluctuations • Sales and purchase price fluctuations	• Compliance with relevant maritime regimes • Vessel utilization • Safe operation of vessels • Terrorism and piracy • Availability of experienced seafarers and staff • Compliance with environmental regulations • Stability of IT systems • Fraud • Insurance coverage	• Funding and liquidity risk • Interest rate risk • Currency risk • Counterparty risk

FINANCIAL RISKS ("MODERATELY RISK-AVERSE")
Management believes that a prudent approach to financial risks benefits the Company the most.

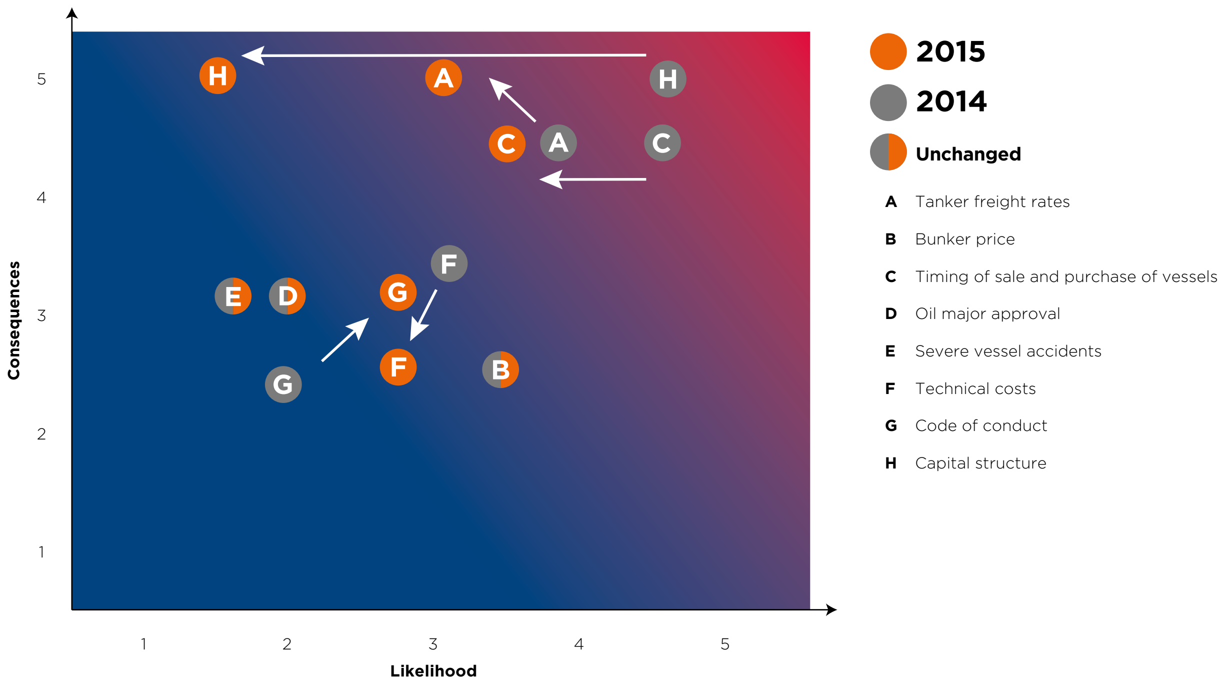
During 2015, TORM has completed the financial restructuring and thus created a long-term, sustainable capital structure.

TORM'S CURRENT RISK PROFILE
The key aspects of TORM's current risk profile are summarized below:

- Through 2015, TORM's product tanker fleet has realized better average spot TCE earnings than in 2014. With a low coverage ratio going into 2016, TORM remains well-positioned for a relatively strong market. As a consequence, market risk remains high
- TORM faces market risk on vessel sale and purchase activities related to the fleet renewal program
- Risks within the Company's immediate sphere of control, including compliance with quality and environmental requirements, have remained stable at a low level due to the implemented mitigating controls

TORM's 2015 top risks and changes compared to 2014 are described below. For a more in-depth description of the various risks and TORM's risk management as well as sensitivity analyses, please see note 22 on page 78. TORM assesses the Company's risks on a continuous basis.

TORM TOP RISK MAP (RISK EVALUATION INCLUDES EFFECT OF CURRENTLY DEPLOYED MITIGATION)



#	RISK	DESCRIPTION	SEVERITY	COMMENTS TO DEVELOPMENT 2014 – 2015 / STATUS 2015
A	Tanker freight rates	The risk of sustained low tanker freight rates or of TORM not being able to predict and act on the development of these.	High	The product tanker market remained volatile during 2015. TORM has maintained a low coverage and accordingly, the Company has maintained a high exposure towards the product tanker market.
B	Bunker price	The risk of unexpected bunker price increases not covered by corresponding freight rate increases.	Medium	Adequate bunker purchase procedures continue to be in place, but as bunker prices are volatile and not necessarily reflected in the freight rates, TORM continues to be exposed to bunker price changes.
C	Timing of sale and purchase of vessels	The risk of TORM not purchasing and selling vessels timely relative to market developments and business requirements.	High	Until the Restructuring, TORM was restricted from actively managing its fleet composition through sale and purchase activities. Going into 2016, TORM has regained its flexibility and is in a position to manage the composition of its fleet; however, market risk remains high.
D	Oil major approval	The risk of a partial ban of the TORM tanker fleet by oil majors.	Medium	The overall tradability of the fleet with oil majors is unchanged, and TORM is considered a top performer in the market.
E	Severe vessel accidents	The risk of a severe vessel accident.	Medium	TORM's comprehensive quality and safety procedures have been maintained, thereby leaving the risk unchanged.
F	Technical costs	The risk of technical costs related primarily to OPEX.	Medium	TORM takes a serious and prudent approach to technical costs. In 2015, TORM has reversed an increasing OPEX trend and thereby reduced the risk related to technical costs. However, the Company recognizes that external factors can impact the technical costs.
G	Code of conduct	Fraud and misconduct risk.	Medium	TORM recognizes the risk of fraud and misconduct as a top risk, as the potential impact of misconduct can be severe.
H	Capital structure	The risk of going concern.	High	Following the successful Restructuring, this risk has decreased. TORM has a healthy capital structure, and it is a top priority to maintain a long-term sustainable capital structure.

CORPORATE GOVERNANCE

- **Revised Articles of Association including new corporate governance provisions in order to ensure appropriate minority shareholder protection**
- **As of 31 December 2015, TORM complied with 44 out of 47 of the Danish Corporate Governance Recommendations**

For TORM, good Corporate Governance represents the framework and guidelines for business management and aims to ensure that the Company is managed in a proper and orderly manner, consistent with applicable laws and regulations.

REVISED ARTICLES OF ASSOCIATION AND GOVERNANCE PROVISIONS

As part of the Restructuring, TORM has adopted revised Articles of Association including new corporate governance provisions in order to ensure appropriate minority shareholder protection. The key provisions include:

- The appointment of a Minority Trustee who shall hold a B share giving the minority trustee the right to appoint a Minority Director, the Deputy Chairman of the Board. The Minority Director has approval rights over Reserved Matters such as related party transactions, larger business acquisitions and the issuance of certain share, warrant or convertible debt instruments
- Appointment of a Board Observer and alternates for the Minority Director

The B share has no other rights than the right to elect one member of the Board of Directors and one Board Observer in TORM. The Minority Trustee will exercise this voting right on behalf of all A shareholders other than Oaktree and its affiliates.

Further, a single redeemable and non-transferable C share has been issued to Oaktree in order to give Oaktree sufficient voting rights to allow to elect all Board members other than the Minority Director (and employee representatives) and to vote for amendments to TORM's Articles of Association with the exception of certain minority protection rights. The C share has no voting rights on any other matters.

Both the B share and the C share will be redeemed by TORM upon a reduction in Oaktree's shareholding below 1/3 of the issued and outstanding shares in TORM A/S.

THE BOARD OF DIRECTORS

In accordance with Danish company legislation, TORM has a two-tier management structure. The Board of Directors lays out policies and directives, which in turn the Executive Management implements in the day-to-day operations. The Board of Directors acts as a partner as well as a supervisory body to the Executive Management. No member of the Executive Management is a member of the Board of Directors, but the Executive Management and the CFO ordinarily attend Board meetings.

The primary responsibilities of the Board of Directors are to safeguard the interests of the shareholders, to ensure that the Company is properly managed in accordance with the Articles of Association and applicable laws and regulations and to pursue the commercial goals as well as the strategic development of the Company.

At the end of 2015, the Board of Directors consisted of six members, of whom four were elected at the Annual General Meeting. The remaining two members have been elected by the employees. Board members elected by the employees have the same rights, duties and responsibilities as shareholder-elected members.

The Board of Directors has issued management guidelines and Business Principles.

The Board of Directors meets at least four times a year in accordance with the Rules of Procedure. In 2015, 19 Board meetings were held.

The Board of Directors regularly evaluates the work, the results and the composition of the Board of Directors and the Executive Management.

In connection with the Restructuring, a new Board of Directors was elected at the Extraordinary General Meeting on 25 August 2015 with Mr. Christopher H. Boehringer as Chairman, David N. Weinstein as Deputy Chairman and Minority Director, Torben Janholt as Board member and Pär Göran Trapp as Board member. The employee-elected Board members, Kari Millum Gardarnar and Rasmus J. Skaun Hoffmann, are unchanged.

THE AUDIT COMMITTEE

The Audit Committee meets at least four times a year, and both the Executive Management, the CFO, the head of the Accounting Department as well as the independent auditor will normally attend these meetings. In 2015, eight meetings were held. As of 31 December 2015, the Audit Committee had three members elected by the Board of Directors from its members.

The Audit Committee performs its duties under a charter approved by the Board of Directors on an annual basis and assists the Board of Directors in supervising and enhancing financial reporting, internal controls and auditing processes.

THE REMUNERATION COMMITTEE

The Remuneration Committee meets at least twice a year, and two meetings were held in 2015. As of 31 December 2015, the Remuneration Committee had three members elected by the Board of Directors. The Remuneration Committee assists the Board of Directors in reviewing Management's performance and remuneration as well as the Company's general remuneration policies.

The amounts and components of the remuneration to the individual members of the Board of Directors and Executive Management are disclosed in note 4 to the financial statements.

THE NOMINATION COMMITTEE

The Nomination Committee meets at least twice a year, and two meetings were held in 2015. As of 31 December 2015, the Nomination Committee had three members elected by the Board of Directors. The Nomination Committee is responsible for maintaining and developing a number of governance procedures and evaluation processes in relation to the Board of Directors and the Executive Management.

THE RISK COMMITTEE

The Risk Committee, which was incorporated in the third quarter of 2015, meets at least four times a year, and two meetings were held in 2015. As of 31 December 2015, the Risk Committee had three members elected by the Board of Directors. The Risk Committee is responsible for supervisory oversight and monitoring responsibilities with respect to internal controls and risk management.

THE EXECUTIVE MANAGEMENT

As of 31 December 2015, the Executive Management consists solely of Mr. Jacob Meldgaard, CEO. Mr. Mads Peter Zacho holds the position as CFO.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for the Company's overall internal controls and risk assessment. The Executive Management is responsible for the identification of key risks, the operation of an effective internal control environment and the implementation of adequate risk management processes.

Management is also responsible for periodical risk reporting to the Audit Committee and the Board of Directors. The Board of Directors reviews the key risks with the Executive Management as appropriate, but at least once a year.

TORM's financial controls are defined and monitored in a compliance framework consistent with the recognized framework established by the Committee of Sponsoring Organizations (COSO 1992) and provides a clear audit trail of changes in risk assessments and design of controls. TORM's processes for financial reporting and financial controls consist of the following elements, performed throughout the financial year:

- *Overall scoping*: It is assessed whether changes should be made to the scoping.
- *Risk assessment*: TORM performs a risk assessment to identify financial reporting risks. TORM uses a top-down risk-based approach. The process starts with the identification and assessment of the risks related to financial reporting, including relevant changes. Furthermore, the entity-wide controls and general IT controls are considered. The likelihood of risks occurring as well as the financial impact of such are assessed.
- *Mapping*: The material risks identified in the risk assessment are mapped in relation to the financial statements and the existing internal controls.
- *Monitoring*: Based on information from TORM's subsidiaries and the Parent Company's financial data, an internal financial report is prepared for Management every month. At the end of each quarter, external financial statements are prepared, and additional controls and analyses are performed. At the end of the year, further controls and analyses are performed to ensure a correct and complete presentation in the annual report.
- *Conclusion*: At the end of each financial year, TORM concludes whether any material weaknesses have been found in the internal controls for the financial reporting. Management has concluded that there were no material weaknesses or areas of concern during 2015. In view of TORM's compliance program and comprehensive system for internal control and risk management in connection with the financial reporting as well as the size of the Company, the Board of Directors has not found it relevant to establish an internal audit function. The Board of Directors continues to evaluate the need for an internal audit function annually.

In addition to ensuring compliance with the relevant legislation, TORM believes that the increased focus on internal controls and risk management contributes positively to improving the effectiveness of the Company's business.

CORPORATE GOVERNANCE RECOMMENDATIONS

In line with the "comply or explain" principle, the Board of Directors has considered the 2013 Corporate Governance Recommendations, which form part of the disclosure obligations for companies listed on Nasdaq Copenhagen. The Company has chosen not to comply with three recommendations.

- *One year election periods for all shareholder-elected Board members:* In the interest of continuity, the TORM shareholder-elected Board members are all elected for two years.
- *Fixed retirement age for Board members:* TORM does not have a fixed retirement age for members of the Board of Directors, as TORM believes that competences, not age, should be the main selection criterion.
- *Selection and nomination of candidates for the Board:* The B share election rights for the Minority Director developed to ensure appropriate minority shareholder protection rights and the C share 525,000,000,000 votes with respect to election of Board members were agreed in connection with the Restructuring and are assessed not to be in compliance with the guideline.

TORM complies with recommendations regarding diversity at management level. Along with other major Danish shipowners, TORM has signed the Charter on More Women on Boards. As of December 2015, females represented 44% of the land-based employees globally (defined as non-managerial individual performers), 33% of middle management and 5% of top management (Vice Presidents and above). In 2013, TORM set a target to reach minimum 20% of top management and 40% of middle management being female by 2016, for example by adjusting the Company's recruitment procedures. TORM has redefined its diversity policy to include a goal of having at least 25% female Board members elected by the shareholders in 2019. The original goal of 25% female Board members in 2016 was not fulfilled as the current Board, that was elected at the Extraordinary General Meeting on 25 August 2015 in connection with the Restructuring, has a two-year election period.

This Corporate Governance section and an overview of TORM's position on the individual recommendations are available on TORM's website. They constitute TORM's mandatory Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements' Act.

WHISTLEBLOWER FACILITY

Since 2006, the Board of Directors has, as part of the internal control system, a whistleblower facility with an independent lawyer to detect any violations of laws, regulations or business ethics by TORM representatives.

In 2015, the whistleblower facility received one notification, which was investigated and closed without any critique or requirements for new measures.

The whistleblower facility is registered and approved by the Danish Data Protection Agency. For further information on the whistleblower facility, please visit TORM's website **www.torm.com/about-torm**.

For TORM's overall guidelines for incentive schemes for members of the Board of Directors and the Management, please visit **www.torm.com/about-torm**.

For further information on TORM's position on the individual corporate governance recommendations, please visit TORM's website **www.torm.com/about-torm**.

MEETINGS ATTENDED/HELD

Members	Board of Directors	Audit Committee	Remuneration Commitee	Nomination Committee	Risk Committee
Flemming Ipsen (Member from 1 January until 25 August 2015)	12/12	4/4		0/0	
Olivier Dubois (Member from 1 January until 25 August 2015)	10/12	4/4			
Alexander Green (Member from 1 January until 25 August 2015)	11/12			0/0	
Jon Syvertsen (Member from 1 January until 25 August 2015)	11/12			0/0	
Christopher H. Boehringer (Member after 25 August 2015)	7/7	3/4	2/2	0/0	2/2
David N. Weinstein (Member after 25 August 2015)	7/7		2/2	0/0	
Pär Göran Trapp (Member after 25 August 2015)	6/7	4/4			2/2
Torben Janholt (Member after 25 August 2015)	7/7	4/4	2/2	0/0	2/2
Kari Millum Gardarnar (Member throughout 2015)	18/19				
Rasmus J. Skaun Hoffmann (Member throughout 2015)	16*)/19				

*) Rasmus J. Skaun Hoffmann has been at sea and unable to participate at three meetings.

BOARD OF DIRECTORS

CHRISTOPHER HELMUT BOEHRINGER / Chairman of TORM's Board of Directors

Born: 01-01-1971
Nationality: Canadian
Employment: Managing Director, Oaktree Capital Management, L. P.
Education: BA degree in Economics from Harvard University and an MBA from INSEAD in France, where he graduated with Distinction and was the recipient of the INSEAD Canadian Foundation Scholarship.

Mr. Boehringer is Chairman of TORM's Nomination Committee and the Remuneration Committee and a member of the Audit Committee and the Risk Committee.

Prior to joining Oaktree in March 2006, Mr. Boehringer worked at Goldman Sachs, FITravel Corporation, Warburg Dillon Read/SG Warburg and LTU GmbH & Co.

Other Board directorships: Magellan Enterprises Limited, OCM Luxembourg OPPS Herkules Holdings, OCM Luxembourg OPPS VI Sarl, OCM Luxembourg OPPS VII Homer Holdings Sarl, OCM Luxembourg VOF Blocker Sarl, OCM Luxembourg Mars Holdings Sarl, OCM Luxembourg OPPS VIII Blocker Sarl, OCM Luxembourg Huntington Blocker Sarl, OCM Luxembourg OPPS VIII (Parallel 2) Blocker Sarl, OCM Luxembourg OPPS VIIIB Sarl, OCM Luxembourg OPPS VIIIB Blocker Sarl, OCM Luxembourg OPPS FFF Sarl, Boston Sarl, OCM Njord Holdings Sarl, OCM Luxembourg Raphael Sarl, OCM Luxembourg Seraphina Sarl, OCM Phoenix Holdings I Sarl, OCM Phoenix Holdings II Sarl, OCM Lux. Sand Holdings Sarl, OCM Luxembourg Avenue Sarl, OCM Luxembourg Springboard Sarl, LCCG UK Limited, LCCG Holdings (No. 3) Limited, LCCG Holdings (No. 2) Limited, LCCG Holdings (No. 1) Limited, Life Company Consolidation Group Limited, Mars Acquisition Limited, Amber GP (London) Limited, TORM plc.

DAVID NEIL WEINSTEIN / Member and Deputy Chairman of TORM's Board of Directors

Born: 22-08-1959
Nationality: US citizen
Employment: Senior Investment Banking, Governance and Reorganization Specialist
Education: Brandeis University, BA Economics and Columbia University School of Law.

Mr. Weinstein is member of TORM's Nomination Committee and Remuneration Committee.

Mr. Weinstein has had a number of Board leadership positions in inter alia Horizon Lines, Inc., Interstate Bakeries Corporation, Pioneer Companies, Inc. and York Research Corporation and has served as Managing Director of Calyon Securities Inc., BNP Paribas, Bank of Boston and Chase Securities Inc.

Other Board directorships: Chairman of Everyware Global Inc., Board member of DeepOcean Group Holdings AS, Axiall Corporation and TORM plc.

KARI MILLUM GARDARNAR / Member of TORM's Board of Directors

Born: 05-05-1951
Nationality: Danish
Employment: Mr. Gardarnar is employed by TORM as Captain and has been with the Company since 1975.
Education: Master License, Navigational Center, Faroe Islands (1975), Tanker Certificates, Marstal Navigational Center (1980, follow-up every five years), Security and Safety Certificate, Simac (1990, follow-up every five years), Medical Care Certificate, Maritime & Health care Center, Fanø (2000, follow up every 5 years).

A member of the Board since April 2011, representing the employees of TORM on the Board. Mr. Gardarnar has sailed since 1975 and has experience from general, refrigerated, container and project cargos as well as dry bulk and tanker cargo.

PÄR GÖRAN TRAPP / Member of TORM's Board of Directors

Born: 31-01-1962
Nationality: Swedish
Employment: Board member
Education: Stockholm School of Economics, MSc Economics and Business Administration (Majoring in Finance, 1983-1987).

Mr. Trapp is Chairman of TORM's Audit Committee and the Risk Committee.

Mr. Trapp was with Morgan Stanley from 1992 to 2013 where he started as crude oil trader, then became Head of Oil Products Trading Europe & Asia, Head of Global Trading and Head of Commodities EMEA. Prior to joining Morgan Stanley, Mr. Trapp was crude oil trader at Statoil.

Other Board directorships: Chairman of Madrague Capital Partners AB, Board member of Amara Living Ltd and TORM plc.

RASMUS J. SKAUN HOFFMANN / Member of TORM's Board of Directors

Born: 10-04-1977
Nationality: Danish
Employment: Mr. Hoffmann is employed by TORM as Chief Engineer and has been with the Company since 2003.
Education: Frederikshavn School of Marine and Technical Engineering/MARTEC BSc, Marine and Technical Engineering (1994-1999), Seamanship, navigation and engineering operations Naval Engineer since 1994.

A member of the Board since April 2011, representing the employees of TORM on the Board. Mr. Hoffmann has 20 years of sailing experience on various vessel types, including eight years of experience as Chief Engineer and experience from project management in fleet reliability initiatives, energy efficiency and operational optimization of technical systems.

TORBEN JANHOLT / Member of TORM's Board of Directors

Born: 11-10-1946
Nationality: Danish
Employment: Just Water ApS
Education: IESE, Barcelona (2012/2008), Harvard, Copenhagen (Board of Directors Program) (2011), IMD, Lausanne (2010/2007/2003/2000/1999), CEDEP/INSEAD Management School, Fontainebleau (1990), Niels Brock Business College, Copenhagen (Certificate in business administration, 1974).

Mr. Janholt is a member of TORM's Audit Committee, Risk Committee and Remuneration Committee.

Mr. Janholt has been the CEO and President for J. Lauritzen A/S from 1998 to 2013 and Chairman of the Danish Shipowners' Association from 2005 to 2009 and holds a number of management duties/directorships.

Other Board directorships: Chairman of Otto Suenson & Co. A/S, Board member of Pioneer Marine Pty Ltd. Singapore, PostNord A/B, A/S United Shipping & Trading Company, Bunker Holding A/S, Uni-Chartering A/S, Uni-Tankers A/S and TORM plc.

EXECUTIVE MANAGEMENT AND CHIEF FINANCIAL OFFICER

JACOB MELDGAARD / Chief Executive Officer (Executive Management)

Born: 24-06-1968
Nationality: Danish
Education: Copenhagen Business School, Denmark (Bachelor's degree in International Trade) and Wharton Business School and Harvard Business School, USA (Advanced Management Program).

Jacob Meldgaard has been Chief Executive Officer since 1 April 2010. Before this, Mr. Meldgaard served as Executive Vice President of Dampskibsselskabet NORDEN A/S.

MADS PETER ZACHO / Chief Financial Officer

Born: 24-05-1969
Nationality: Danish
Education: University of Copenhagen (Master of Science, Economics) and IMD, Switzerland (Executive MBA).

Chief Financial Officer since September 2013. From 2010 to 2013, Mads Peter Zacho served as CFO of Svitzer. He was Deputy Head of Group Finance in A. P. Moller-Maersk, which he joined in 2004. Prior to this, Mads Peter Zacho held positions with Nordea and The World Bank.

INVESTOR INFORMATION

- **Oaktree new majority shareholder**
- **Capital increase and issuance of warrants**
- **Reverse stock split and capital reduction by cancellation of treasury shares**

COMMUNICATION TO THE INVESTORS

To ensure consistent communication to all investors, quarterly and annual financial statements and other stock exchange announcements are the main vehicles of communication. TORM maintains regular capital market contact through analyst and industry presentations, investor meetings and conference calls. Roadshows are primarily held in Copenhagen and in the major European and US financial centers.

In 2015, TORM issued 42 announcements to the stock exchange, which are accessible in both Danish and English versions on www.torm.com/investors. Interested stakeholders can sign up for TORM's investor relations mailing list there.

For a three-week period prior to the publication of quarterly and annual financial statements, communication is limited to issues of a general nature and no individual investor meetings are held.

In 2015, TORM also convened three Extraordinary General Meetings, all in connection with the Restructuring, to approve:

- Adoption of revised Articles of Association in connection with the Restructuring, held on 7 July 2015
- Election of new Board of Directors, new remuneration policy and mandate to execute the reverse stock split with a consolidation ratio of 1,500:1, held on 25 August 2015
- Reduction of TORM's share capital by nominally DKK 147,160.54 by cancellation of treasury shares, held on 15 December 2015 (share capital reduction effectuated on 13 January 2016)

INCREASE IN SHARE CAPITAL IN CONNECTION WITH THE RESTRUCTURING

In connection with the Restructuring, the Board of Directors decided to use authorizations received at TORM's Annual General Meeting held on 26 March 2015 and at TORM's Extraordinary General Meeting held on 7 July 2015 to:

- Issue 35,672,000,000 new A shares of DKK 0.01 each to the Company's pre-restructuring lenders against conversion of debt
- Issue 59,354,374,554 new A shares of DKK 0.01 each to Oaktree against a contribution in kind of the entire share capital of OCM (Gibraltar) Njord Midco Ltd. (the legal entity owning 25 on-the-water vessels and six newbuild-ings)
- Issue 7,181,578,089 warrants to the Company's pre-re-structuring lenders, each entitling their holders to subscribe for one new A share of DKK 0.01, in consider-ation of a total debt write-down of approximately USD 536m
- Issue one C share of DKK 0.01 in nominal value to Oaktree against payment in cash of DKK 10
- Issue one B Share of DKK 0.01 in nominal value to SFM Trustees Limited as Minority Trustee against payment in cash of DKK 10

The new capital increase comprised approximately 99.2% of TORM's total post-restructuring share capital.

Following the increase in share capital, TORM published a listing prospectus to admit the new shares for trading on Nasdaq Copenhagen, which took effect on 29 July 2015.

REVERSE STOCK SPLIT AND CAPITAL REDUCTION

After the increase of the share capital on 13 July 2015, TORM had 95,754,374,554 A shares, one B share and one C share, all with a nominal value of DKK 0.01. At TORM's Extraordinary General Meeting held on 25 August 2015, the Board of Directors was mandated to execute a reverse split of the A shares and TORM's warrants with a consolidation ratio of 1,500:1. The consolidation was effectuated on 24 September 2015 after which the Company's share capital comprised 63,836,249 A shares of DKK 15.00 each, 1,054 A shares of DKK 0.01 each, one B share and one C share, both of DKK 0.01.

In the redemption process in connection with the share consolidation, TORM acquired 9,810 A shares of DKK 15 each and the 1,054 A shares of DKK 0.01 each as treasury shares. At the Extraordinary General Meeting held on 15 December 2015, it was decided to cancel the treasury shares, and the capital reduction was carried out on 13 January 2016 following the statutory four-week creditor notice period.

TRADING

Adjusting for the share consolidation, TORM had approxi-mately 485t shares outstanding trading at approximately DKK 465 each at the beginning of 2015. On 29 July 2015, following the Restructuring, TORM listed 63m shares trading at a closing price of approximately DKK 105 each, also adjusted for the share consolidation. The share price ended at approximately DKK 98 on 30 December 2015. Following the listing on 29 July 2015, the average daily trading volume on Nasdaq Copenhagen has been approxi-mately 138t shares.

From 17 December 2015, TORM has been part of the MidCap segment on Nasdaq Copenhagen.

SHAREHOLDERS

TORM's A shares are listed on Nasdaq Copenhagen under the ticker TORM A. As of 31 December 2015, TORM had a share capital of DKK 958m divided into 63,836,249 A shares with a nominal value of DKK 15.00, 1,054 A shares with a nominal value of DKK 0.01, one B share and one C share, both with a nominal value of DKK 0.01.

As of 31 December 2015, TORM had approximately 12,500 registered shareholders representing 88% of the share capital. In compliance with section 29 of the Danish Securities Trading Act, the following shareholders have reported to TORM that they owned more than 5% and 50% of the share capital, respectively:

- OCM Njord Holdings S.à r.l. (Oaktree) (>50%)
- DW Partners, LP (>5%)

As of 31 December 2015, TORM's treasury shares comprised approximately 0% of the total share capital.

The C share is held by Oaktree and the B share is held by the Minority Trustee, SFM Trustees Limited, on behalf of TORM's non-Oaktree shareholders. The B and the C share have certain voting rights.

At the end of 2015, the members of the Board of Directors held a total of 2 shares, equivalent to a total market capitalization of DKK 195 or USD 29. The Executive Management held a total of 66 shares, equivalent to a market capitalization of DKK 6,435 or USD 942. The Board of Directors and all employees are limited to trading shares during a four-week period after the publication of financial reports.

TORM's company's registrar is VP Securities, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark.

WARRANTS AND RESTRICTED SHARE UNITS

In connection with the Restructuring, TORM's pre-restructuring Lenders received warrants comprising 7.5% of the total share capital. As of 31 December 2015, 4,787,692 warrants are outstanding with each warrant being convertible into one A share with a nominal value of DKK 15 against payment of a subscription price in cash to TORM of DKK 96.3. The warrants can be exercised in the period between 13 July 2016 and 13 July 2020.

The warrants are not publicly listed, but can be transferred by submitting a warrant transfer notice to the Company. The warrant transfer notice can be found on **http://www.torm.com/uploads/media_items/torm-warrant-transfer-notice.original.pdf**.

In accordance with TORM's remuneration policy, the Board of Directors has on 18 January 2016 and as part of a new long-term incentive program decided to grant certain employees Restricted Share Units ("RSU") in the form of restricted stock options. The RSUs aim at incentivizing the employees to seek to improve the performance of TORM and thereby the TORM share price for the mutual benefit of themselves and the shareholders of TORM. A total of 850,667 RSUs were granted and, subject to vesting, each RSU entitles the holder to acquire one TORM A share. The RSUs will vest over a three-year period with an exercise price for each TORM A share of DKK 96.3.

During 2016, the Chief Executive Officer may be granted up to 1,276,725 RSUs. RSUs granted to the Chief Executive Officer will vest over a five-year period with an exercise price for each TORM A share of DKK 96.3.

The theoretical market value of the RSU allocation was around the time of the issuance calculated at USD 5.0m based on the Black-Scholes model.

NET ASSET VALUE (NAV)

TORM's net asset value (NAV) as of 31 December 2015 is estimated at USD 1,169m based on i) broker values of USD 1,951m, ii) outstanding debt of USD 781m, iii) outstanding newbuilding installments of USD 224m, iv) a cash position of USD 168m, v) other current assets of USD 120m and vi) current liabilities of USD 66m.

Based on 63,836,249 outstanding A shares as of 31 December 2015, this corresponds to a NAV/share of USD 18.3 or DKK 125.1.

DIVIDEND

The Board of Directors proposes that no dividend be distributed for 2015.

For further information about investor relations, please visit **www.torm.com/investors**

INVESTOR RELATIONS CONTACT

Christian Søgaard-Christensen,
Vice President,
Corporate Support
Phone: +45 3917 9285
E-mail: csc@torm.com

Morten Agdrup,
Head of Corporate Finance and IR
Phone: +45 3917 9249
E-mail: mag@torm.com

FINANCIAL CALENDAR 2016

12 April 2016	Annual General Meeting
12 May 2016	First quarter 2016 results
16 August 2016	First half 2016 results
15 November 2016	Nine months 2016 results

ANALYST COVERAGE

As of 7 March 2016, the following analysts from Nordic investment banks cover TORM:

Carnegie Investment Bank
Marcus Bellander
Phone: +45 3288 0298
E-mail: marcus.bellander@carnegie.dk

Danske Bank
Finn Bjarke Petersen
Phone: +45 4512 8036
E-mail: finpe@danskebank.dk

Fearnley Securities
Jonathan Staubo
Phone: +47 2293 6485
E-mail: j.staubo@fearnleys.no

Espen L. Fjermestad
Phone: +47 2293 6484
E-mail: e.fjermestad@fearnleys.no

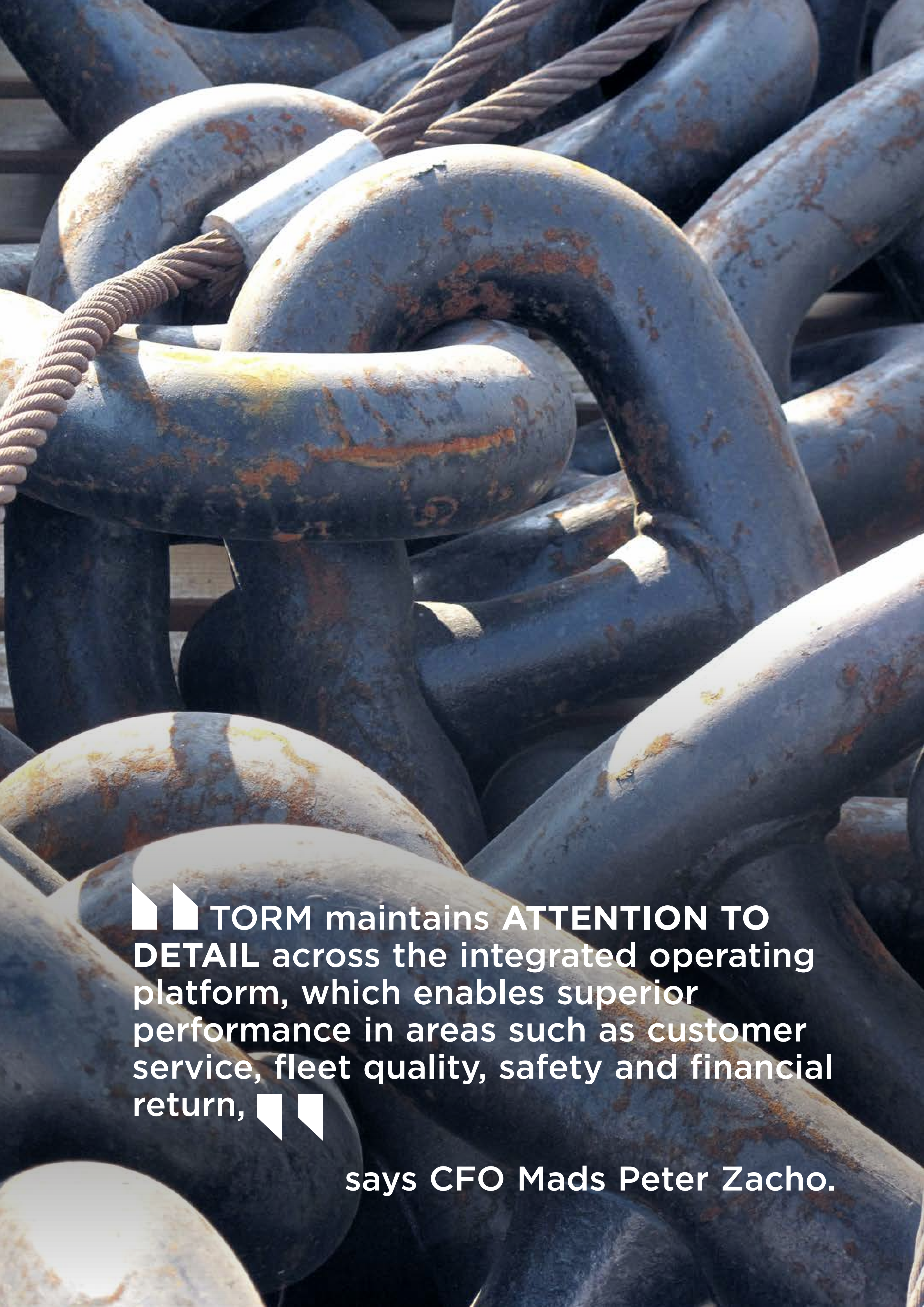
Nordea Markets
Stig Frederiksen
Phone: +45 3333 5723
E-mail: stig.frederiksen@nordea.com

Jyske Bank
Frans Høyer
Phone: +45 8989 7033
E-mail: frans.hoyer@jyskebank.dk

SEB
Lars Heindorff
Phone: +45 3328 3307
E-mail: lars.heindorff@seb.dk

Ole G. Stenhagen
Phone: +47 2100 8527
E-mail: ole.g.stenhagen@seb.no

The list of analysts is updated on a regular basis and is available on **www.torm.com/investors**



"TORM maintains **ATTENTION TO DETAIL** across the integrated operating platform, which enables superior performance in areas such as customer service, fleet quality, safety and financial return,"

says CFO Mads Peter Zacho.

FINANCIAL STATEMENTS

FINANCIAL REVIEW 2015

REPORTED FINANCIALS*)

TORM achieved a net profit of USD 126m in 2015 (2014: USD 13m), resulting in earnings per share, or EPS, of USD 2.5 in 2015 (2014: USD 0.4). The higher result in 2015 was mainly due to the increased number of available earning days, which stems from the acquisition of the fleet from Former TORM A/S as well as higher freight rates.

EBITDA for 2015 was USD 210m, which is in line with the latest guidance of an EBITDA of USD 200-220m dated 11 November 2015.

The profit before tax for 2015 was USD 127m, which is also in line with the latest guidance of a profit before tax of USD 115-135m.

In 2015, total revenue was USD 540m (2014: USD 180m) and TCE earnings amounted to USD 371m (2014: USD 99m). The increase in TCE earnings was primarily attributable to an increase of 154% in the number of available earning days, corresponding to an increase in earnings of USD 151m, and higher freight rates in the Company's Tanker Segment, corresponding to an increase in earnings of USD 121m.

The operating profit increased by USD 127m to a profit of USD 143m in 2015 (2014: USD 16m). This increase was primarily due to an increase in gross profit (net earnings from shipping activities) of USD 187m. This was partly offset by increases in administrative expenses of USD 19m and depreciations on tangible assets of USD 43m.

TORM's total assets increased by USD 1,241m in 2015 to USD 1,867m (2014: USD 626m), of which the carrying amount of vessels, capitalized dry-docking and prepayments on vessels amounted to USD 1,565m (2014: USD 537m). The increase was primarily attributable to the acquisition of the fleet from Former TORM A/S.

In 2015, current assets excluding cash increased by USD 69m. This was primarily due to an increase in freight receivables of USD 48m and an increase in bunkers of USD 12m. The increase in freight receivables and bunkers was driven by the increase in the fleet of owned and chartered vessels from the acquisition of the fleet from Former TORM A/S.

In 2015, total equity increased year-on-year by USD 506m to USD 976m from USD 470m in 2014. The increase was mainly relating to the accounting effects of the reverse acquisition of TORM A/S of USD 368m and the impact of the profit for the year of USD 126m.

In 2015, TORM's total liabilities increased by USD 735m to USD 891m from USD 156m in 2014. This was primarily attributable to the takeover of liabilities resulting from the acquisition of Former TORM A/S.

*) Please refer to page 2 for definitions.

LIQUIDITY AND CASH FLOW

In 2015, the invested capital increased by USD 1,015m to USD 1,588m as of 31 December 2015 (2014: USD 573m). The increase can primarily be explained by the acquisition of the fleet from Former TORM A/S.

Total cash and cash equivalents amounted to USD 168m at the end of 2015 (2014: USD 38m), resulting in a net increase in cash and cash equivalents for the year of USD 130m, compared to a net increase of USD 36m in 2014. The undrawn credit facilities as of 31 December 2015 amounted to USD 75m (2014: USD 0m).

The Company's operations generated a cash inflow of USD 214m in 2015 (2014: USD 17m). In addition, the Company invested USD 254m (2014: USD 378m) in tangible fixed assets during 2015, primarily related to the acquisition of three second-hand MR vessels, three MR newbuildings and the capitalized dry-docking. The Company generated USD 78m (2014: USD 0m) in cash from business combinations and USD 18m from the sale of two bulk vessels.

The total cash inflow from financing activities amounted to USD 75m, compared to a cash inflow of USD 397m in 2014. Repayment on mortgage debt and bank loans amounted to USD 29m primarily in connection with vessel sales. Additional borrowings generated an inflow of USD 93m relating to the financing of the acquisition of two second-hand MR vessels and three MR newbuildings. TORM did not pay any dividends to its shareholders during 2015.

PROFORMA FINANCIAL INFORMATION ADJUSTED FOR NON-RECURRING ITEMS*)

For the purpose of presenting historical financial performance and financial position of the business that will be the continuing business, TORM has presented pro forma financial information and financial review of the combined businesses of Former TORM A/S and Njord adjusted for non-recurring items.

TORM has prepared pro forma financial information by performing consolidation and elimination of all significant transactions between Former TORM and Njord (OCM (Gibraltar) Njord Midco Ltd.) for the period 1 January to 31 December 2015 and 1 January to 31 December 2014.

Pro forma adjustments give effect to the completion of the Restructuring, which also reflects the write-down of part of TORM's debt to current asset values against issuance of Consideration Warrants, the exchange of part of Former TORM's debt for equity and, subject to certain adjustments, reinstatement of Former TORM's remaining debt under the New Term Facility Agreement.

The pro forma income statements for 2015 and 2014 have been prepared as though the Restructuring occurred as of 1 January 2015 and 1 January 2014, respectively. The pro forma adjustments and adjustments for non-recurring items are based on available information and assumptions that TORM believes are reasonable. Such adjustments are based on estimates and may be subject to change.

For the purpose of the pro forma financial information, the initial purchase price allocation is based upon the estimated fair value of assets and liabilities of Former TORM as of 1 January 2015 and 1 January 2014, respectively, and the pro forma adjustments consist of the differences between those fair values and the carrying amount of the same assets and liabilities as of 1 January 2015 and 1 January 2014 except for write-down of debt.

For the purpose of the pro forma financial information, the write-down of part of Former TORM's debt to current asset values against issuance of warrants and the exchange of part of Former TORM's debt for equity are the actual numbers despite the carrying amount of the debt as of 1 January 2015 and 1 January 2014 being different from the amount of the Restructuring Completion Date.

The impact of the write-down of debt and the cost incurred to effect the business combination have not been incorporated in the pro forma income statements, as the pro forma financial information has been prepared as though the Restructuring took place as of 1 January 2015 and 1 January 2014, respectively.

In March 2014, a realized impairment loss was recognized in connection with the sale of vessels from Former TORM A/S to Njord. Had the Restructuring been undertaken as of 1 January 2014, these vessels would have been recognized at a value low enough to eliminate the impairment loss. Consequently, the impairment loss recognized by Former TORM A/S in 2014 has been reversed in the pro forma income statement.

Furthermore, in addition to the pro forma adjustments, the pro forma income statement has been adjusted for costs incurred in relation to the Restructuring and an impairment loss of the remaining vessels in Former TORM A/S' fleet recognized in 2014, as such items are deemed non-recurring items.

The following pro forma adjustments have been made to the unadjusted financial information of Former TORM and Njord:

1) Elimination of revenue generated and costs incurred in connection with the chartering of three vessels from Njord to Former TORM A/S.
2) In 2011, Former TORM sold two LR2 tankers at prices above market and leased them back on seven-year bareboat contracts. The excess profit arising from the sales was recognized as deferred income and amortized over the term of the leases. In connection with the purchase price allocation, no new value has been allocated to these contracts, as it has been determined that the charter rate according to the agreements approximates the current market rate. Accordingly, the amortized income recognized in 2015 has been reversed to reflect the situation as if the purchase price allocation occurred on 1 January 2015 and 1 January 2014, respectively. Furthermore, there have been added amortizations of the value allocated to time charter contracts as part of the purchase price allocation on 1 January 2015 and 1 January 2014, respectively, calculated as the difference between the contract value and the fair value of the monthly time charter as of the date of the Restructuring.
3) Depreciations during 2014 and 2015 on vessels are reduced to reflect that the depreciable amount would have been reduced, had the vessels been adjusted to fair values as of 1 January 2015 and 1 January 2014, respectively, in connection with the purchase price allocation on these dates. No adjustments have been made to depreciations on other tangible assets.
4) Former TORM A/S disposed of its investment in Danish Ship Finance in connection with the Restructuring. For the presentation of the pro forma income statement, dividend received in 2014 and 2015 has been reversed.
5) In 2014 and 2015, Former TORM recognized financial expenses related to amortized borrowing costs and an amortization of the cash flow hedging reserve generated by interest rate swaps that were cancelled in connection with the 2012-Restructuring. For pro forma presentation purposes, amortized borrowing costs and amortized hedging reserve costs are reversed to reflect that had the Restructuring occurred as of 1 January 2015 and 1 January 2014, any unamortized borrowing costs and hedge reserves would have been eliminated, as such borrowing costs and hedge reserves would not have been part of the purchase price allocation.
6) As part of the Restructuring, Former TORM's debt was significantly reduced. Consequently, for pro forma presentation purposes, interest expenses are reduced to reflect that had the Restructuring occurred as of 1 January 2015 and 1 January 2014, respectively, the interest-bearing debt had been lower.
7) Reversal of realized impairment loss recognized in 2014 in connection with the sale of vessels from Former TORM A/S to Njord because, had the Restructuring been undertaken as of 1 January 2014, these vessels would have been recognized at a value low enough to eliminate the impairment loss.

The following adjustments have been made for non-recurring items:

8) In 2014, Former TORM A/S has recorded an impairment loss on the vessels not transferred to Njord. For the purpose of presenting the performance of the continuing combined business, this impairment loss has been reversed, as it is considered of non-recurring nature.
9) At the Restructuring Completion Date, Former TORM A/S had incurred advisor fees directly related to the Restructuring, which are reversed as they are considered of non-recurring nature.

FINANCIAL PERFORMANCE OVERVIEW (PRO FORMA FINANCIALS)

TORM achieved a net profit of USD 187m in 2015 (2014: USD 0m). The higher result in 2015 was mainly due to higher freight rates in the Tanker Segment.

EBITDA for 2015 was USD 319m (2014: USD 119m), which is in line with the latest guidance of an EBITDA of USD 310-330m dated 11 November 2015.

PRO FORMA CONSOLIDATED INCOME STATEMENT ADJUSTED FOR NON-RECURRING ITEMS

	2015					2014				
USDm	TORM A/S (Njord)	Former TORM A/S*)	Pro forma adjust-ments, etc.	Note	Pro forma Com-bined Group	TORM A/S (Njord)	Former TORM A/S	Pro forma adjust-ments, etc.	Note	Pro forma Com-bined Group
Revenue	540.4	315.4	-1.5	1, 2	854.3	179.9	624.2	-10.3	1, 2	793.8
Port expenses, bunkers and commissions	-169.7	-102.6			-272.3	-81.2	-298.1			-379.3
Freight and bunker derivatives	0.0	0.0			0.0	0.0	-0.2			-0.2
Time charter equivalent earnings	**370.7**	**212.8**	**-1.5**		**582.0**	**98.7**	**325.9**	**-10.3**		**414.3**
Charter hire	-12.0	-21.3	1.9	1, 2	-31.4	0.0	-53.6	10.8	1, 2	-42.8
Operating expenses	-122.9	-66.7			-189.6	-50.3	-149.2			-199.5
Gross profit (Net earnings from shipping activities)	**235.8**	**124.8**	**0.4**		**361.0**	**48.4**	**123.1**	**0.5**		**172.0**
Administrative expenses	-19.5	-22.4			-41.9	-0.9	-51.0			-51.9
Other operating income/ (expenses)	-6.3	6.3			0.0	-6.6	4.6			-2.0
Share of profit/(loss) from joint ventures	0.2	-0.1			0.1	0.0	0.4			0.4
EBITDA	**210.2**	**108.6**	**0.4**		**319.2**	**40.9**	**77.1**	**0.5**		**118.5**
Impairment losses on tangible and intangible assets	0.0	0.0			0.0	0.0	-191.7	191.7	7, 8	0.0
Amortizations and depreciation	-67.3	-50.4	17.0	3	-100.7	-24.8	-96.3	26.2	3	-94.9
Operating profit/(EBIT)	**142.9**	**58.2**	**17.4**		**218.5**	**16.1**	**-210.9**	**218.4**		**23.6**
Financial income	0.6	3.1	-2.3	4	1.4	0.0	3.8	-0.9	4	2.9
Financial expenses	-16.6	-57.8	42.3	5, 6, 9	-32.1	-3.5	-76.2	54.0	5, 6, 9	-25.7
Profit/(loss) before tax	**126.9**	**3.5**	**57.4**		**187.8**	**12.6**	**-283.3**	**271.5**		**0.8**
Tax	-1.0	-0.1			-1.1	0.0	-0.8			-0.8
Net profit/(loss) for the year	**125.9**	**3.4**	**57.4**		**186.7**	**12.6**	**-284.1**	**271.5**		**0.0**

*) Former TORM A/S refers to the period 1 January to 13 July 2015.

Pro forma adjustments:

1) Elimination of charter-in income and charter hire of vessels between Former TORM and Njord and amortization of the fair value of Former TORM's time charter book.

2) Reversal of amortization of deferred income on sale and leaseback transactions involving two Former TORM LR2 product tankers and amortization of fair value of Former TORM's time charter book as follows from the purchase price allocation.

3) Adjustment to depreciation to reflect depreciation on the fair value of the vessels at the assumed dates for the business combination.

4) Reversal of dividends from disposed investment in Danish Ship Finance.

5) Reversal of amortization of deferred borrowing costs and interest rate swaps relating to the 2012-Restructuring.

6) Adjustments to interest expenses based on the reinstated debt.

7) Represent the reversal of impairments of USD 44m recognized on vessels sold from Former TORM to Njord.

Non-recurring items:

8) Represent the reversal of impairments of USD 148m recognized on Former TORM's remaining vessels. For pro forma presentation purposes, the impairments are reversed to reflect the normalized business for the period.

9) Reversal of Former TORM advisor fees related to the financing and restructuring plan of USD 26.6m in 2015 and USD 15.4m in 2014.

CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2014

USDm	TORM A/S (Njord)	Former TORM A/S	Pro forma Adjust-ments	Note	Pro forma Com-bined Group
Intangible assets	0.0	1.4	10.0	1	11.4
Tangible assets	536.9	1,217.8	-335.4	2	1,419.3
Financial assets	0.0	11.8	-10.9	3	0.9
Non-current assets	**536.9**	**1,231.0**	**-336.3**		**1,431.6**
Bunkers and freight receivables	48.5	95.7	-4.4	4	139.8
Other receivables	2.5	12.9	17.0	3	32.4
Cash and cash equivalents	38.1	44.6	-13.2	5	69.5
Total assets	**626.0**	**1,384.2**	**-336.9**		**1,673.3**
Equity	**469.5**	**-164.0**	**536.4**		**841.9**
Mortage debt and bank loans	141.6	1,427.1	-866.4	6	702.3
Other liabilities	13.3	115.9	-1.8	4	127.4
Deferred income	1.6	5.2	-5.1	4	1.7
Total liabilities	**156.5**	**1,548.2**	**-873.3**		**831.4**
Total equity and liabilities	**626.0**	**1,384.2**	**-336.9**		**1,673.3**

Pro forma adjustments:

1) Reflects an adjustment to record identifiable intangible assets of Former TORM at fair value and record goodwill from the reverse acquisition.

2) Reflects an adjustment to record vessels at fair value as of 1 January 2014 and to record the value of Former TORM's vessels after one year of depreciation.

3) Represents the sale of other investments in Danish Ship Finance.

4) Eliminates deferred income, other freight receivables and other liabilities of balances between Former TORM and Njord and reversal of deferred income on a sale and leaseback transaction and fair value of Former TORM's time charter book.

5) Reflects the effect of lower paid interest on the reinstated debt and the effect from advisor fees related to the financing and restructuring plan of Former TORM A/S, deemed incurred before 1 January 2014.

6) Reflects the adjustments to record Former TORM's reinstated debt.

SEGMENT GROSS PROFIT/(LOSS) (PRO FORMA)

USDm	Tanker Segment	Bulk Segment	**Total 2014**	Tanker Segment	Bulk Segment	**Total 2015**
Revenue	766.8	27.0	793.8	844.0	10.3	854.3
Port expenses, bunkers and commissions	-383.3	4.0	-379.3	-269.7	-2.6	-272.3
Freight and bunker derivatives	0.0	-0.2	-0.2	0.0	0.0	0.0
Time charter equivalent earnings	**383.5**	**30.8**	**414.3**	**574.3**	**7.7**	**582.0**
Charter hire	-17.3	-25.5	-42.8	-23.3	-8.1	-31.4
Operating expenses	-195.6	-3.9	-199.5	-186.5	-3.1	-189.6
Gross profit/(loss) (Net earnings from shipping activities)	**170.6**	**1.4**	**172.0**	**364.5**	**-3.5**	**361.0**

CHANGE IN TIME CHARTER EQUIVALENT EARNINGS (PRO FORMA)

USDm	Handy-size	MR	LR1	LR2	Un-allo-cated	**Tanker Seg-ment Total**	Handy-max	Pana-max	Un-allo-cated	**Bulk Seg-ment Total**	**Total**
Time charter equivalent earnings 2014	56.7	227.1	42.9	57.3	-0.5	383.5	1.6	30.4	-1.2	30.8	414.3
Change in number of earning days	-1.8	1.7	0.5	-1.6	-	-1.2	-1.7	-15.4	-	-17.1	-18.3
Change in freight rates	17.3	115.2	20.8	41.3	-	194.6	-0.2	-7.5	-	-7.7	186.9
Other	-	-	-	-	-2.6	-2.6	-	-	1.7	1.7	-0.9
Time charter equivalent earnings 2015	**72.2**	**344.0**	**64.2**	**97.0**	**-3.1**	**574.3**	**-0.3**	**7.5**	**0.5**	**7.7**	**582.0**

Unallocated earnings comprise fair value adjustment of freight and bunker derivatives, which are not designated as hedges, and gains and losses on freight and bunker derivatives, which are not entered into for hedging purposes.

The profit before tax for 2015 was USD 188m, which is also in line with the latest guidance of a profit before tax of USD 185-205m.

In 2015, total revenue was USD 854m (2014: USD 794m) and TCE earnings amounted to USD 582m (2014: USD 414m). The increase in TCE earnings was primarily attributable to a increase of 51% in freight rates in the Company's Tanker Segment, corresponding to an increase in earnings of USD 195m. This was offset by a decrease in the number of available earning days and freight rates in the Bulk Segment, corresponding to a reduction in earnings of USD 23m.

The operating profit increased by USD 195m to a profit of USD 219m in 2015 (2014: USD 24m). This increase was primarily due to an increase in gross profit (net earnings from shipping activities) of USD 189m and a decrease of USD 10m in administrative expenses. This was partly offset by increases in amortizations and depreciations on tangible assets of USD 6m.

SEGMENT RESULTS

TORM's revenue derives from two segments: The Tanker Segment and the Bulk Segment. The table Segment Gross Profit/(Loss) above presents the results of shipping activities by operating segment for 2015 and 2014. The gross profit for 2015 in the Tanker Segment increased by USD 194m, and the gross profit in the Bulk Segment decreased by USD 5m compared to 2014.

The change in TCE earnings in the Tanker Segment and the Bulk Segment is summarized in the table above.

Furthermore, the table on page 45 summarizes earnings data per quarter.

Tanker Segment

Revenue in the Tanker Segment increased by 10% to USD 844m in 2015 from USD 767m in 2014, and TCE earnings increased by USD 191m or 50% to USD 574m in 2015 from USD 384m in 2014. The increase in TCE earnings was primarily due to an increase in the weighted average TCE earnings per available earning day of 51% compared to 2014.

In the LR2 fleet, the average freight rates increased by 74% from 2014 to 2015, resulting in an increase in earnings of USD 41m. The number of available earning days in the LR2 fleet decreased by 3% due to off-hire and dry-docking, resulting in a reduction of earnings of USD 2m. Hence, earnings in total increased by USD 39m.

EARNINGS DATA (PRO FORMA)

USDm	2014 Full year	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015 **Full year**	% Change full year
TANKER SEGMENT							
LR2/Aframax vessels							
Available earning days	3,589	885	846	872	883	3,486	-3%
Owned	2,881	720	670	688	736	2,814	
T/C	708	165	176	184	147	672	
Spot rates 1)	16,048	25,224	28,089	33,623	25,946	27,884	74%
TCE per earning day 2)	15,975	25,486	26,707	34,024	25,127	27,826	74%
LR1/Panamax vessels							
Available earning days	2,445	612	636	628	600	2,476	1%
Owned	2,445	612	636	628	600	2,476	
T/C	0	0	0	0	0	0	
Spot rates 1)	17,770	28,937	24,881	29,141	20,929	26,047	47%
TCE per earning day 2)	17,556	28,276	25,369	28,939	21,031	25,938	48%
MR vessels							
Available earning days	15,558	3,903	3,848	3,878	4,047	15,676	1%
Owned	14,817	3,741	3,666	3,700	3,880	14,987	
T/C	741	162	182	178	167	689	
Spot rates 1)	14,973	22,971	22,219	24,599	18,695	21,998	47%
TCE per earning day 2)	14,583	22,032	21,912	24,692	18,578	21,935	50%
Handysize vessels							
Available earning days	3,710	819	888	913	975	3,595	-3%
Owned	3,710	819	888	913	975	3,595	
T/C	0	0	0	0	0	0	
Spot rates 1)	15,583	20,057	19,752	24,180	18,888	20,942	34%
TCE per earning day 2)	15,287	20,035	18,762	22,897	19,005	20,090	31%
Tanker Division							
Available earning days	25,302	6,219	6,218	6,291	6,505	25,233	0%
Owned	23,853	5,892	5,860	5,929	6,191	23,872	
T/C	1,449	327	358	362	314	1,361	
Spot rates	15,565	23,492	22,913	26,089	19,739	22,986	48%
TCE per earning days 2)	15,171	22,876	22,469	26,148	19,757	22,879	51%
BULK SEGMENT							
Bulk							
Available earning days	2,981	580	386	259	62	1,287	-57%
Owned	699	180	182	184	48	594	
T/C	2,282	400	204	75	14	693	
TCE per earning day 2)	10,831	6,132	6,736	2,516	11,108	5,805	-46%

1) Spot rate = Time Charter Equivalent Earnings for all charters with less than six months' duration = Gross freight income less bunker, commissions and port expenses.

2) TCE = Time Charter Equivalent Earnings = Gross freight income less bunker, commissions and port expenses.

The average freight rates in the LR1 fleet were 48% higher than in 2014. Furthermore, the available earning days increased by 1%. In total, earnings increased by USD 21m.

In the MR fleet, three second-hand vessels were acquired and three newbuildings were delivered to TORM in the second half of 2015. This was only partly off-set by an increase in dry-dockings, and therefore the number of available earning days increased by 118 days or 1%, resulting in an increase in earnings of USD 2m. Furthermore, freight rates increased by 50%, resulting in higher earnings of USD 115m. Hence, total earnings increased by USD 117m.

In the Handysize fleet, the average freight rates were 31% higher in 2015 compared to 2014, resulting in a net increase in earnings of USD 17m. There was a decrease in available earning days due to dry-docking activities in 2015.

CHANGE IN OPERATING EXPENSES (PRO FORMA)

USDm	Tanker Segment				Bulk Segment	
	Handysize	MR	LR1	LR2	Panamax/ Handymax	**Total**
Operating expenses 2014	33	115	19	29	4	200
Change in operating days	-	3	-	-	-1	2
Change in operating expenses per day	-5	-8	0	1	0	-12
Operating expenses 2015	**28**	**110**	**19**	**30**	**3**	**190**

OPERATING DATA (PRO FORMA)

USD/day	Tanker Segment					Bulk Segment		
	Handysize	MR	LR1	LR2	**Tankers**	Panamax/ Handymax	**Bulk**	**Total**
Operating expenses per operating day in 2014	7,862	7,530	7,357	8,166	7,655	5,320	5,320	7,590
Operating expenses per operating day in 2015	6,768	7,031	7,252	8,319	7,193	5,414	5,414	7,154
Change in the operating expenses per operating day in %	-14%	-7%	-1%	2%	-6%	2%	2%	-6%
Operating days in 2015*)	4,015	15,682	2,555	3,650	25,902	594	594	26,496
- Off-hire	25	82	43	6	156	-	-	156
- Dry-docking	395	587	36	100	1,118	-	-	1,118
+/- Bareboat charters out/in	-	-	-	-730	-730	-	-	-730
+ Vessels chartered-in	-	663	-	672	1,335	693	693	2,028
Available earning days	**3,595**	**15,676**	**2,476**	**3,486**	**25,233**	**1,287**	**1,287**	**26,520**

*) Including bareboat charters.

Bulk Segment
TORM has discontinued the bulk activities in 2015, and the remaining vessels were sold and delivered to the new owners in 2015.

Revenue decreased by 63% to USD 10m (2014: USD 27m), whereas TCE earnings decreased by 76% or USD 23m to USD 8m in 2015 (2014: USD 31m). Earnings were negatively affected by an overall decrease of 57% in the number of available earning days. Further, the weighted average TCE earnings per available earning day decreased by 46% as compared to 2014.

OPERATION OF VESSELS
As compared to 2014, the charter hire cost in the Tanker Segment increased by USD 6m or 34% to USD 23m in 2015, whereas the charter hire cost in the Bulk Segment decreased by USD 17m or 67% to USD 8m. The increase in the Tanker Segment was caused by higher charter rates. The decrease in the Bulk Segment was due to reduced activity.

The development in operating expenses is summarized in the table above. The table also summarizes the operating data for the Company's fleet of owned and bareboat-chartered vessels.

Operating expenses for the owned vessels decreased by USD 10m to USD 190m in 2015 due to lower operating expenses per day. This was partly offset by an increase in operating days following the acquisition of three second-hand MR vessels and the delivery of three MR newbuildings.

The total fleet of owned vessels had 1,274 off-hire and dry-docking days, corresponding to 5% of the number of operating days in 2015 compared to 966 off-hire days in 2014, equivalent to 4% of the number of operating days. This was mainly attributable to an increase in dry-docking activities.

Administrative expenses and other operating income
Total administrative expenses amounted to USD 42m in 2015, which was a decrease of USD 10m or 19% (2014: USD 52m). This was mainly driven by a reduction in staff-related expenses, savings within facility expenses and the appreciation of the USD.

Other operating income and expenses primarily consisting of chartering commissions and service fees amounted to USD 0m in 2015 (2014: USD -2m). The increase is due to the fact that commercial management was insourced in 2015 from external managers.

Financial income and expenses
Net financial expenses in 2015 were USD 31m (2014: USD 23m), corresponding to an increase of USD 8m. This was mainly due to the acquisition of vessels and delivery of newbuildings, the associated vessel financing and exchange rate adjustments.

Tax
Tax for the year amounted to an expense of USD 1m compared to an expense of USD 1m in 2014. The tax for 2015 comprises the current tax expense for the year of USD 2m, which was unchanged from the previous year, and

an income of USD 1m related to an adjustment of the estimated tax liabilities for the previous years. In 2014, there was an income of USD 1m in the deferred tax liability, mainly related to the transition account under the Danish tonnage tax scheme following sale of vessels.

Assessment of impairment of assets

Management has followed the usual practice of performing an impairment review every quarter and presenting the outcome to the Audit Committee. The Audit Committee evaluates the impairment review and prepares a recommendation to the Board of Directors. The recoverable amount of the assets is reviewed by assessing the fair value less costs to sell and the value in use for the significant assets within the two cash generating units of the Company: The Tanker Segment and the Bulk Segment.

In the assessment of the fair value less costs to sell, Management included a review of market values calculated as the average of two internationally recognized shipbrokers' valuations. The shipbrokers' primary input is deadweight tonnage, yard and age of the vessel. The assessment of the value in use was based on the net present value (NPV) of the expected future cash flows. The key assumptions are considered to be related to future developments in freight rates and operating expenses and to the weighted average cost of capital (WACC) applied as discounting factor in the calculations.

TORM did not impair any assets in 2015.

The Company will continue to monitor developments on a quarterly basis for indications of impairment.

PRIMARY FACTORS AFFECTING RESULTS OF OPERATIONS

TORM generates revenue by charging customers for the transportation of refined oil products, crude oil and, to a lesser extent, dry bulk cargos, using the Company's tankers and dry bulk vessels. The Company's focus is on maintaining a high quality fleet, and TORM actively manages the deployment of the fleet between spot market voyage charters, which generally lasts from several days to several weeks, and time charters.

TORM believes that the important measures for analyzing trends in the results of its operations for both tankers and dry bulk vessels consist of the following:

- *Time charter equivalent (TCE) earnings per available earning day*. TCE earnings per available earning day are defined as revenue less voyage expenses divided by the number of available earning days. Voyage expenses primarily consist of port and bunker expenses that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions, freight and bunker derivatives. TORM believes that presenting revenue net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. Under time charter contracts, the charterer pays the voyage expenses, while under voyage charter contracts the shipowner pays these expenses. A charterer has the choice of entering into a time charter (which may be a one-trip time charter) or a voyage charter. TORM is neutral as to the charterer's choice, because the Company will primarily base its financial decisions on expected TCE rates rather than on expected revenue. The analysis of revenue is therefore primarily based on developments in TCE earnings.

- *Spot charter rates*. A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight rate per ton of cargo or a specified total amount. Under spot market voyage charters, TORM pays voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-on-year basis. Fluctuations derive from imbalances in the availability of cargos for shipment and the number of vessels available at any given time to transport these cargos. Vessels operating in the spot market generate revenue that is less predictable, but may enable the Company to capture increased profit margins during periods of improvements in tanker rates.

- *Time charter rates*. A time charter is generally a contract to charter a vessel for a fixed period of time at a set daily or monthly rate. Under time charters, the charterer pays voyage expenses such as port, canal and bunker costs. Vessels operating on time charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot market during periods characterized by favourable market conditions.

- *Available earning days*. Available earning days are the total number of days in a period when a vessel is ready and available to perform a voyage, meaning the vessel is not off-hire or in dry-dock. For the owned vessels, this is calculated by taking operating days and subtracting off-hire days and days in dry-dock. For the chartered-in vessels, no such calculation is required, because charter hire is only paid on earning days and not for off-hire days or days in dry-dock.

- *Operating days*. Operating days are the total number of available days in a period with respect to the owned vessels, before deducting unavailable days due to off-hire days and days in dry-dock. Operating days is a measurement that is only applicable to the owned vessels, not to the time chartered-in vessels.

- *Operating expenses per operating day*. Operating expenses per operating day are defined as crew wages and related costs, the costs of spares and consumable stores, expenses relating to repairs and maintenance (excluding capitalized dry-docking), the cost of insurance and other expenses on a per operating day basis. Operating expenses are only paid for owned vessels. The Company does not pay such costs for the time chartered-in vessels, as they are paid by the vessel owner and instead factored into the charter hire cost for such chartered-in vessels.

CONSOLIDATED INCOME STATEMENT
1 JANUARY – 31 DECEMBER

USD '000	Note	**2015**	2014
Revenue		540,404	179,873
Port expenses, bunkers and commissions		-169,646	-81,208
Time charter equivalent earnings		**370,758**	**98,665**
Charter hire		-12,023	-
Operating expenses	5	-122,867	-50,254
Gross profit (Net earnings from shipping activities)	4	**235,868**	**48,411**
Administrative expenses	5, 6	-19,486	-933
Other operating expenses		-6,299	-6,549
Share of profit from joint ventures		202	-
EBITDA		**210,285**	**40,929**
Depreciation	7, 8	-67,327	-24,751
Operating profit (EBIT)		**142,958**	**16,178**
Financial income	10	992	-
Financial expenses	10	-16,926	-3,546
Profit before tax		**127,024**	**12,632**
Tax	13	-1,041	-
Net profit for the year		**125,983**	**12,632**

EARNINGS PER SHARE

		2015	2014
Earnings per share (USD)	28	2.5	0.4
Earnings per share (DKK)*)		16.6	2.2
Diluted earnings per share (USD)	28	2.5	0.4
Diluted earnings per share (DKK)*)		16.6	2.2

*) Calculated from USD to DKK at the average USD/DKK exchange rate for the relevant period.

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY – 31 DECEMBER

USD '000	**2015**	2014
Net profit for the year	**125,983**	**12,632**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange rate adjustment arising from translation of entities using a functional currency different from USD	160	0
Fair value adjustment on hedging instruments	1,067	0
Value adjustment on hedging instruments transferred to income statement	333	0
Other comprehensive income after tax*)	**1,560**	**0**
Total comprehensive income for the year	**127,543**	**12,632**

*) No income tax was incurred relating to other comprehensive income items.

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER

USD '000	Note	**2015**	2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		11,400	0
Total intangible assets	7	**11,400**	**0**
Tangible fixed assets			
Vessels and capitalized dry-docking	9, 17	1,492,046	502,205
Prepayments on vessels		72,540	34,664
Other plant and operating equipment		2,499	0
Total tangible fixed assets	8	**1,567,085**	**536,869**
Financial assets			
Investments in joint ventures		334	-
Other investments		5	-
Total financial assets		**339**	**0**
Total non-current assets		**1,578,824**	**536,869**
CURRENT ASSETS			
Bunkers		25,557	13,330
Freight receivables	11	83,088	35,174
Other receivables	12	5,791	789
Prepayments		5,923	1,696
Cash and cash equivalents		168,258	38,056
Total current assets		**288,617**	**89,045**
TOTAL ASSETS		**1,867,441**	**625,914**

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER

USD '000	Note	**2015**	2014
EQUITY AND LIABILITIES			
EQUITY			
Common shares	14	141,946	87,986
Special reserves		60,974	0
Treasury shares	14	-176	0
Hedging reserves		1,400	0
Translation reserves		160	0
Retained profit		771,672	381,528
Total equity		**975,976**	**469,514**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	13	45,105	0
Mortgage debt and bank loans	3, 16, 17, 19	717,530	125,325
Finance lease liabilities	19, 20	12,937	0
Total non-current liabilities		**775,572**	**125,325**
CURRENT LIABILITIES			
Mortgage debt and bank loans	3, 16, 17, 19	48,727	16,226
Finance lease liabilities	19, 20	624	0
Trade payables	19	22,284	11,912
Current tax liabilities		1,763	0
Other liabilities	15, 19	42,055	1,341
Deferred income		440	1,596
Total current liabilities		**115,893**	**31,075**
Total liabilities		**891,465**	**156,400**
TOTAL EQUITY AND LIABILITIES		**1,867,441**	**625,914**

The accompanying notes are an integrated part of these financial statements.

Accounting policies, critical accounting estimates and judgements	1
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Related party transactions	24
Non-current assets sold during the year	25

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares*)	Special reserves **)	Treasury shares ***)	Hedging reserves	Translation reserves	Retained profit	**Total**
EQUITY							
Balance as of 1 January 2014, as shown in the financial statements of Njord	16	0	0	0	0	201,306	201,322
Effect as of 1 January 2014 of the reverse acquisition	87,970	-	-	-	-	-87,970	0
Equity as of 1 January 2014	**87,986**	**0**	**0**	**0**	**0**	**113,336**	**201,322**
Comprehensive income for the year:							
Net profit for the year	-	-	-	-	-	12,632	12,632
Other comprehensive income for the year ****)	-	-	-	0	0	-	0
Total comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**12,632**	**12,632**
Shareholders' contribution	-	-	-	-	-	256,656	256,656
Dividend paid	-	-	-	-	-	-1,096	-1,096
Total changes in equity 2014	**0**	**0**	**0**	**0**	**0**	**268,192**	**268,192**
Equity as of 31 December 2014	**87,986**	**0**	**0**	**0**	**0**	**381,528**	**469,514**
Comprehensive income for the year:							
Net profit for the year	-	-	-	-	-	125,983	125,983
Other comprehensive income for the year ****)	-	-	-	1,400	160	-	1,560
Total comprehensive income for the year	**0**	**0**	**0**	**1,400**	**160**	**125,983**	**127,543**
Shareholders' contribution	-	-	-	-	-	14,040	14,040
Reverse acquisition of TORM A/S	53,960	60,974	-	-	-	252,844	367,778
Transaction costs share issue	-	-	-	-	-	-2,723	-2,723
Acquisition treasury shares, cost	-	-	-176	-	-	-	-176
Total changes in equity 2015	**53,960**	**60,974**	**-176**	**1,400**	**160**	**390,144**	**506,462**
Equity as of 31 December 2015	**141,946**	**60,974**	**-176**	**1,400**	**160**	**771,672**	**975,976**

*) Common shares have been adjusted to reflect the nominal capital of TORM A/S as a result of the reverse acquisition. Please refer to note 2 and note 14.

**) The special reserves were established in conjunction with a capital decrease in 2012. In accordance with the Danish Companies Act, the special reserves can be used by the Board of Directors to distribute dividends or for other purposes that the Board of Directors may deem appropriate.

***) Please refer to note 14 for further information on treasury shares.

****) Please refer to "Consolidated Statement of Comprehensive Income".

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	**2015**	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		142,958	16,178
Adjustments:			
Reversal of depreciation		67,327	24,751
Reversal of share of profit from joint ventures		-202	0
Reversal of other non-cash movements	26	-874	0
Dividends received from joint ventures		200	0
Interest received and exchange gains		624	0
Interest paid and exchange loss		-12,364	-3,313
Income taxes paid/repaid		-584	0
Change in bunkers, receivables and payables	26	16,870	-20,360
Net cash flow from operating activities		**213,955**	**17,256**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-253,964	-377,914
Cash from business combination	2	77,544	0
Sale of non-current assets (vessels)	25	17,640	0
Net cash flow from investing activities		**-158,780**	**-377,914**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		93,100	150,000
Repayment/redemption, mortgage debt		-29,214	-8,449
Dividend paid		0	-1,096
Shareholders' contribution		14,040	256,657
Transaction costs share issue		-2,723	0
Purchase of treasury shares		-176	0
Cash flow from financing activities		**75,027**	**397,112**
Net cash flow from operating, investing and financing activities		**130,202**	**36,454**
Cash and cash equivalents as of 1 January		**38,056**	**1,602**
Cash and cash equivalents as of 31 December		**168,258**	**38,056**
Of which restricted cash and cash equivalents		13,768	0
Non restricted cash and cash equivalents as of 31 December		**154,490**	**38,056**

The accompanying notes are an integrated part of these financial statements.

NOTE 1

ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

References to the “Company”, "Group", “TORM”, “TORM Group” and “Njord” refer to TORM A/S and its subsidiaries as a continuation of Njord (OCM (Gibraltar) Njord Midco Ltd.). References to “Former TORM A/S” refer to the activities of TORM A/S prior to the business combination described in note 2.

The consolidated financial results reflect the activities for Njord only for 2014 and the period from 1 January – 13 July 2015, whereas the remaining period of 2015 reflects the combined activity of Former TORM A/S and Njord.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements for annual reports for listed companies.

The financial statements are prepared in accordance with the historical cost convention except where fair value accounting is specifically required by IFRS.

The functional currency in all major entities is USD, and the Company applies USD as presentation currency in the preparation of the annual report.

ADOPTION OF NEW OR AMENDED IFRS
TORM has implemented the following standard amendments issued by IASB and adopted by the EU and the interpretations in the annual report for 2015:
- Annual improvements to IFRS 2011-2013 cycle

The implementation of the standard amendments and improvements did not affect TORM's accounting policies except for the changes to IAS 24 “Related Party Transactions”, where management entities providing key management personnel services are now considered as related party.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IASB has issued a number of new or amended and revised accounting standards and interpretations that potentially could come into effect:
- IFRS 9 “Financial Instruments”. The standard and subsequent amendments will substantially change the classification and measurement of financial instruments and hedging requirements. The new standard and amendments have not yet been endorsed by the EU. IASB has tentatively decided that the mandatory effective date of the standard will be no earlier than annual periods beginning on or after 1 January 2018
- IFRS 15 “Revenue from Contracts with Customers”
- IFRS 16 "Leases"
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to IAS 27 “Equity Method in Separate Financial Statements”
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”
- Annual Improvements to IFRS 2012-2014 cycle
- Amendments to IAS 1 “Disclosure initiative”
- Amendments to IAS 19 “Defined Benefit plans: Employee Contributions”
- Annual improvements to IFRS 2010-2012 cycle

The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.

KEY ACCOUNTING POLICIES
Management considers the following to be the most important accounting policies for the TORM Group.

Participation in pool and revenue share scheme
TORM generates its revenue from shipping activities, which to some extent are conducted through a pool and revenue share scheme. Total pool and revenue share scheme revenue is generated from each vessel participating in the pool and the revenue share scheme in which the Group participates and is based on either voyage or time charter parties. The pool and the revenue share scheme measure net revenues based on the contractual rates and the duration of each voyage, and net revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties.

The pool and the revenue share scheme are considered to be joint operations, which is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities relating to the arrangement. Joint control is considered to be the contractually agreed sharing of control of the arrangement, where the decisions for the relevant activities require unanimous consent from the partners in the arrangement.

TORM recognizes the Company's share of the income statement and balance sheet in the respective pool and revenue share scheme by recognizing a proportional share, based on participation in the pool and the revenue share scheme, combining items of a uniform nature.

The Company's share of the income in the pool and the revenue share scheme is primarily dependent on the number of days the Company's vessels have been available for the pool and the revenue share scheme in relation to the total available pool and revenue share scheme earning days during the period.

Cross-over voyages
Revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. For cross-over voyages (voyages in progress at the end of a reporting period), the uncertainty and the dependence on estimates are greater than for finalized voyages. The Company recognizes a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the balance sheet date. The estimate of revenue is based on the expected duration and destination of the voyage. Voyage expenses are recognized as incurred.

When recognizing revenue, there is a risk that the actual number of days it takes to complete the voyage will differ from the estimate, and for time charter parties a lower day rate may have been agreed for additional days. The contract for a single voyage may state several alternative destination ports. The destination port may change during the voyage, and the rate may vary depending on the destination port.

Changes to the estimated duration of the voyage as well as changing destinations and weather conditions will affect the voyage expenses.

NOTE 1 – CONTINUED

Demurrage revenue
Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. If these conditions are breached, TORM is compensated for the additional time incurred in the form of demurrage revenue. Demurrage revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. Upon completion of the voyage, the Company assesses the time spent in port, and a demurrage claim based on the relevant contractual conditions is submitted to the charterers. The claim will often be met by counterclaims due to differences in the interpretation of the agreement compared to the actual circumstances of the additional time used. Based on previous experience, 95% of the demurrage claim submitted is recognized as demurrage revenue. The Company receives the demurrage payment upon reaching final agreement on the amount, which on average is approximately 100 days after the original demurrage claim was submitted. If the Group accepts a reduction of more than 5% of the original claim, or if the charterer is not able to pay, demurrage revenue will be affected.

Vessels
Vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use, including interest expenses incurred during the period of construction based on the loans obtained for the vessels. All major components of vessels except for dry-docking costs are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which TORM estimates to be 25 years. The Company considers that a 25-year depreciable life is consistent with what is used by other shipowners with comparable tonnage. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. The useful life and the residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Company's business plans.

The Company also evaluates the carrying amounts to determine if events have occurred that indicate impairment and would require a modification of the carrying amounts. Prepayment on vessels is measured at costs incurred.

Dry-docking
Approximately every 30 and 60 months, depending on the nature of work and external requirements, the vessels are required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking. The residual value of such components is estimated at nil. The useful life of the dry-docking costs is reviewed at least at each financial year-end based on market conditions, regulatory requirements and TORM's business plans.

A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. Depreciation hereof is carried over the period until the next dry-docking. For newbuildings, the initial dry-docking asset is estimated based on the expected costs related to the first-coming dry-docking, which again is based on experience and past history of similar vessels. For second-hand vessels, a dry-docking asset is also segregated and capitalized separately, taking into account the normal docking intervals of the Company.

At subsequent dry-dockings, the costs comprise the actual costs incurred at the dry-docking yard. Dry-docking costs may include the cost of hiring crews to carry out replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel as well as the cost of hiring third-party personnel to oversee a dry-docking. Dry-docking activities include, but are not limited to, the inspection, service on turbocharger, replacement of shaft seals, service on boiler, replacement of hull anodes, applying of antifouling and hull paint, steel repairs and refurbishment and replacement of other parts of the vessel.

Deferred tax
All significant Danish entities within the Former TORM entered into the Danish tonnage tax scheme for a binding 10-year period with effect from 1 January 2001. However, as a consequence of the reverse acquisition of TORM A/S in July 2015, a new 10-year binding period commenced with effect from 1 January 2016. Under the Danish tonnage tax scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income of a company for a given period is calculated as the sum of the taxable income under the tonnage tax scheme and the taxable income from the activities that are not covered by the tonnage tax scheme computed in accordance with the ordinary Danish corporate tax rules.

If the entities' participation in the Danish tonnage tax scheme is abandoned, or if the entities' level of investment and activity is significantly reduced, a deferred tax liability will become payable. A deferred tax liability is recognized in the balance sheet at each period end calculated by using the balance sheet liability method. The deferred tax liability relating to the vessels is measured on the basis of the difference between the tax base of the vessels at the date of entry into the tonnage tax scheme and the lower of cost and the realized or realizable sales value of the vessels.

OTHER ACCOUNTING POLICIES

Consolidation principles
The consolidated financial statements comprise the financial statements of the Parent Company, TORM A/S and entities controlled by the Company. Control is achieved, when the Company:

- Has the power over the investee
- Is exposed or has the right to variable returns from involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities unilaterally. The Company considers all facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

NOTE 1 – CONTINUED

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting pattern at previous shareholders' meetings

Entities in which the Group exercises significant but not controlling influence are regarded as associated companies and are recognized by using the equity method.

Companies which are by agreement managed jointly with one or more companies and therefore are subject to joint control (joint ventures) are accounted for by using the equity method.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date that the Company obtains control until the date when the Company loses control over the subsidiary.

Sold or unwound entities are recognized in the consolidated financial statements until the date of the sale or the unwinding. The date of sale or unwinding is the date when control is effectively transferred to third parties. The comparative figures are not restated for entities acquired, disposed of or wound up.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company, its subsidiaries and the Company's share of the income statement and balance sheet of joint operations by combining items of a uniform nature and eliminating intercompany transactions, balances and shareholdings as well as realized and unrealized gains and losses on transactions between the consolidated entities. The financial statements used for consolidation purposes are prepared in accordance with the Company's accounting policies.

The consolidated financial statements following a reverse acquisition are issued under the name of the legal parent (accounting acquiree), but as continuation of the financial statements of the legal subsidiary (accounting acquirer). The accounting acquirer's legal capital is adjusted retrospectively to reflect the legal capital of the accounting acquirer. Comparative information is adjusted accordingly.

Business combinations
Newly acquired or formed entities are recognized in the consolidated financial statements from the date of acquisition or formation. The date of acquisition is the date on which control over the entity is effectively transferred. Business combinations are accounted for by applying the acquisition method, whereby the acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. The tax effect of the revaluation activities is also taken into account. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the estimated amount of that adjustment is included in the cost of the combination if the event is probable and the adjustment can be measured reliably. Subsequent changes in such estimate are recognized in the income statement. Subsequent changes cannot exceed one year from the acquisition date. Costs of issuing debt or equity instruments in connection with a business combination are accounted for together with the debt or equity issuance. All other costs associated with the acquisition are expensed in the income statement.

In reverse acquisitions, the consideration is calculated as the fair value of the interest in the accounting acquirer that the existing shareholders of the accounting acquiree would have received, had the business combination not been a reverse acquisition.

The excess of the consideration of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities is recognized as goodwill under intangible assets and is tested for impairment at least once every year. Upon acquisition, goodwill is allocated to the cash generating units, which subsequently form the basis for the impairment test. If the fair value of the acquired assets, liabilities and contingent liabilities exceeds the consideration for the business combination, the identification of assets and liabilities and the processes of measuring the fair value of the assets and liabilities and the consideration of the business combination are reassessed. If the fair value of the assets, liabilities and contingent liabilities continues to exceed the consideration, the resulting gain is recognized in the income statement.

Foreign currencies
The functional currency of all significant entities, including subsidiaries and associated companies, is USD, because the Company's vessels operate in international shipping markets, in which income and expenses are settled in USD, and the Company's most significant assets and liabilities in the form of vessels and related liabilities are denominated in USD. Transactions in currencies other than the functional currency are translated into the functional currency at the transaction date. Cash, receivables and payables and other monetary items denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate at the balance sheet date. Gains or losses due to differences between the exchange rate at the transaction date and the exchange rate at the settlement date or the balance sheet date are recognized in the income statement under "Financial income and expenses".

An exchange rate gain or loss relating to a non-monetary item carried at fair value is recognized in the same line as the fair value adjustment.

The reporting currency of the Company is USD. Upon recognition of entities with functional currencies other than USD, the financial statements are translated into USD. Income statement items are translated into USD at the average exchange rates for the period, whereas balance sheet items are translated at the exchange rates as of the balance sheet date. Exchange differences arising from the translation of financial statements into USD are recognized as a separate component of equity via other comprehensive income. On the disposal of an entity, the cumulative amount of the exchange differences recognized in the separate component of equity relating to that entity is transferred to the income statement as part of the gain or loss on disposal.

NOTE 1 – CONTINUED

Derivative financial instruments
Derivative financial instruments, primarily forward currency exchange contracts, forward freight agreements and forward contracts regarding bunker purchases, are used to hedge future committed or anticipated transactions. TORM applies hedge accounting under the specific rules on cash flow hedges when appropriate.

Derivative financial instruments are initially recognized in the balance sheet at fair value at the date when the derivative contract is entered into and are subsequently measured at their fair value as other receivables or other liabilities, respectively.

Changes in the fair value of derivative financial instruments, which are designated as cash flow hedges and deemed to be effective, are recognized directly in "Other comprehensive income". When the hedged transaction is recognized in the income statement, the cumulative value adjustment recognized in "Other comprehensive income" is transferred to the income statement and included in the same line as the hedged transaction. However, when the hedged transaction results in the recognition of a fixed asset, the gains and losses previously accumulated in "Other comprehensive income" are transferred from "Other comprehensive income" and included in the initial measurement of the cost of the fixed asset. Changes in the fair value of a portion of a hedge deemed to be ineffective are recognized in the income statement.

Changes in the fair value of derivative financial instruments that are not designated as hedges are recognized in the income statement. While effectively reducing cash flow risk in accordance with the risk management policy of the Company, interest rate swaps with cap features and certain forward freight agreements and forward contracts regarding bunker purchases do not qualify for hedge accounting. Changes in fair value of these derivate financial instruments are therefore recognized in the income statement under "Financial income" or "Financial expenses" for interest rate swaps with cap features and under "Freight and bunkers derivatives" for forward freight agreements and forward bunker contracts.

Segment information
TORM consists of two business segments: The Tanker Segment and the Bulk Segment. This segmentation is based on the Group's internal management and reporting structure. In the Tanker Segment, the services provided primarily comprise transportation of refined oil products such as gasoline, jet fuel and naphtha. In the Bulk Segment, the services provided comprise transportation of dry cargo – typically commodities such as coal, grain, iron ore, etc. Transactions between segments are based on market-related prices and are eliminated at Group level. The Group only has one geographical segment, because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world. Furthermore, the internal management reporting does not provide such information. Consequently, it is not possible to provide geographical segment information on revenue from external customers or non-current segment assets.

The accounting policies applied for the segments regarding recognition and measurement are consistent with the policies for TORM as described in this note.

The segment income statement comprises income and expenses which are directly attributable to the segment.

Not allocated items primarily comprise assets and liabilities as well as revenues and expenses relating to the Company's administrative functions and investment activities, including cash and bank balances, interest-bearing debt, income tax, deferred tax, etc.

Employee benefits
Wages, salaries, social security contributions, paid holiday and sick leave, bonuses and other monetary and non-monetary benefits are recognized in the year in which the employees render the associated services.

Pension plans
The Group has entered into defined contribution plans only. Pension costs related to defined contribution plans are recorded in the income statement in the year to which they relate.

Leases
Agreements to charter-in vessels and to lease other plant and operating equipment, where TORM has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Company or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet, and the interest element of the lease payment is charged to the income statement as incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and lease payments are charged to the income statement on a straight-line basis over the lease term. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is derecognized, and any gain or loss on disposal is recognized in the income statement. Other agreements to charter out vessels are classified as operating leases, and lease income is recognized in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Revenue
Income, including revenue, is recognized in the income statement when:

- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

NOTE 1 – CONTINUED

Revenue comprises freight, charter hire and demurrage revenues from the vessels and gains and losses on forward freight agreements designated as hedges. Revenue is recognized when it meets the general criteria mentioned above, and when the stage of completion can be measured reliably. Accordingly, freight, charter hire and demurrage revenue is recognized at selling price upon delivery of the service according to the charter parties concluded.

Port expenses, bunkers and commissions
Port expenses, bunker fuel consumption and commissions are recognized as incurred. Gains and losses on forward bunker contracts designated as hedges and write-down and provisions for losses on freight receivables are included in this line.

Freight and bunker derivatives
Freight and bunker derivatives comprise fair value adjustments and gains and losses on forward freight agreements, forward bunker contracts and other derivative financial instruments directly related to shipping activities which are not designated as hedges.

Charter hire
Charter hire comprises expenses related to the chartering-in of vessels incurred in order to achieve the net revenue for the period.

Operating expenses
Operating expenses, which comprise crew expenses, repair and maintenance expenses and tonnage duty, are expensed as incurred.

Net profit/(loss) from sale of vessels
Net profit/(loss) from sale of vessels is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and it is measured as the difference between the sales price less sales costs and the carrying amount of the asset.

Administrative expenses
Administrative expenses, which comprise administrative staff costs, management costs, office expenses and other expenses related to administration, are expensed as incurred.

Other operating expenses
Other operating expenses primarily comprise chartering commissions and management fees paid to commercial and technical managers for managing the fleet and to a lesser extent profits and losses deriving from the disposal of other plant and operating equipment.

Depreciation and impairment losses
Depreciation and impairment losses comprise depreciation of tangible fixed assets for the period as well as the write-down of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indication of impairment, the carrying amount is assessed, and the value of the asset is written down to its recoverable amount equal to the higher of value in use based on net present value of future earnings from the assets and its fair value less costs to sell.

Financial income
Financial income comprises interest income, realized and unrealized exchange rate gains related to transactions in currencies other than the functional currency, realized gains from other equity investments and securities, unrealized gains from securities, dividends received and other financial income including value adjustments of certain financial instruments not accounted for as hedges of future transactions.

Interest is recognized in accordance with the accrual basis of accounting taking into account the effective interest rate. Dividends from other investments are recognized when the right to receive payment has been decided, which is typically when the dividend has been declared and can be received without conditions.

Financial expenses
Financial expenses comprise interest expenses, financing costs of finance leases, realized and unrealized exchange rate losses relating to transactions in currencies other than the functional currency, realized losses from other equity investments and securities, unrealized losses from securities and other financial expenses including value adjustments of certain financial instruments not accounted for as hedges of future transactions.

Interest is recognized in accordance with the accrual basis of accounting taking into account the effective interest rate.

Tax
In Denmark, TORM A/S is jointly taxed with its Danish subsidiaries. The Parent Company provides for and pays the aggregate Danish tax on the taxable income of these companies, but recovers the relevant portion of the taxes paid from the subsidiaries based on each entity's portion of the aggregate taxable income. Tax expenses comprise the expected tax including tonnage tax on the taxable income for the year for the Group, adjustments relating to previous years and the change in deferred tax for the year. However, tax relating to equity items is posted directly in equity.

BALANCE SHEET

Goodwill
Goodwill is measured as the excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities and is recognized as an asset under intangible assets. Goodwill is not amortized, but the recoverable amount of goodwill is assessed every quarter. For impairment testing purposes, goodwill is on initial recognition allocated to the cash generating units to which it relates. Goodwill is considered to have an indefinite useful life.

Other plant and operating equipment
Operating equipment is measured at cost less accumulated depreciation.

Computer equipment is depreciated on a straight-line basis over three years, and other operating equipment is depreciated on a straight-line basis over five years.

Leasehold improvements are measured at cost less accumulated amortization and impairment losses, and leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease and the estimated useful life. Cost comprises acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use.

NOTE 1 – CONTINUED

Investments in joint ventures
Investments in joint ventures comprise investments in companies which by agreement are managed jointly with one or more companies and therefore subject to joint control and in which the parties have rights to the net assets of the joint venture. Joint ventures are accounted for by using the equity method. Under the equity method, the investment in joint ventures is initially recognized at cost and thereafter adjusted to recognize TORM's share of the profit or loss in the joint venture. When TORM's share of losses in a joint venture exceeds the investment in the joint venture, TORM discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that TORM has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Financial assets
Financial assets are initially recognized at the settlement date at fair value plus transaction costs, except for financial assets at fair value through profit or loss, which are recognized at fair value. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred.

Financial assets are classified as:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

Other investments
Other investments comprise shares in other companies and are classified as available-for-sale. Listed shares are measured at the market value at the balance sheet date, and unlisted shares are measured at estimated fair value. Unrealized gains and losses resulting from changes in fair value of shares are recognized in "Other comprehensive income". Realized gains and losses resulting from sales of shares are recognized as financial items in the income statement. The cumulative value adjustment recognized in "Other comprehensive income" is transferred to the income statement when the shares are sold. Dividends on shares in other companies are recognized as financial income in the period in which they are declared.

Other investments are presented as non-current, unless Management intends to dispose of the investments within 12 months of the balance sheet date.

Receivables
Outstanding freight receivables and other receivables that are expected to be realized within 12 months from the balance sheet date are classified as loans and receivables and presented as current assets.

Receivables are measured at the lower of amortized cost and net realizable values, which corresponds to nominal value less provision for bad debts. Derivative financial instruments included in other receivables are measured at fair value.

Assets held-for-sale
Assets are classified as held-for-sale if the carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Gains and losses are recognized on delivery to the new owners in the income statement in the item "Net profit/loss from sale of vessels".

Impairment of assets
Non-current assets are reviewed quarterly to determine any indication of impairment due to a significant decline in either the assets' market value or in the cash flows generated by the assets. In case of such indication, the recoverable amount of the asset is estimated as the higher of the asset's fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to derive from an asset. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount. The impairment loss is recognized immediately in the income statement.

For the purpose of assessing impairment, assets including goodwill and time charter and bareboat contracts are grouped at the lowest levels at which goodwill is monitored for internal management purposes.

The two cash generating units of the Company are the Tanker Segment and the Bulk Segment.

Bunkers
Bunkers and luboil are stated at the lower of cost and net realizable value. Cost is determined by using the FIFO method and includes expenditures incurred in acquiring the bunkers and luboil and delivery cost less discounts.

Treasury shares
Treasury shares are recognized as a separate component of equity at cost. Upon subsequent disposal of treasury shares, any consideration is also recognized directly in equity.

Dividend
Dividend is recognized as a liability at the time of declaration at the Annual General Meeting. Dividend proposed for the year is moved from "Retained profit" and presented as a separate component of equity.

Provisions
Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. Provisions are measured at the estimated liability that is expected to arise, taking into account the time value of money.

Mortgage debt and bank loans
At the time of borrowing, mortgage debt and bank loans are measured at fair value less transaction costs. Mortgage debt and bank loans are subsequently measured at amortized cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognized in the income statement as a financial expense over the term of the loan by applying the effective interest method.

When terms of existing financial liabilities are renegotiated, or other changes regarding the effective interest rate

NOTE 1 – CONTINUED

occur, TORM performs a test to evaluate whether the new terms are substantially different from the original terms. If the new terms are substantially different from the original terms, TORM accounts for the change as an extinguishment of the original financial liability and the recognition of a new financial liability. TORM considers the new terms to be substantially different from the original terms if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Other liabilities
Liabilities are generally measured at amortized cost. Derivative financial instruments included in other liabilities are measured at fair value.

CASH FLOW STATEMENT
The cash flow statement shows the Company's cash flows and cash and cash equivalents at the beginning and the end of the period. Cash flow from operating activities is presented by using the indirect method and is based on net operating profit for the year adjusted for tax, financial income and expenses, net profit from sale of vessels, non-cash operating items, changes in working capital, income tax paid, dividends received and interest paid/received.

Cash flow from investing activities comprises the purchase and sale of tangible fixed assets and financial assets.

Cash flow from financing activities comprises changes in long-term debt, bank loans, finance lease liabilities, purchases or sales of treasury shares and dividend paid to shareholders.

Cash and cash equivalents comprise cash at bank and in hand including restricted cash and cash equivalents. Other investments are classified as investment activities.

EARNINGS PER SHARE
Basic earnings per share is calculated by dividing the consolidated net operation profit for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Treasury shares are not included in the calculation. Purchases and sales of treasury shares during the period are weighted based on the remaining period.

Diluted earnings per share is calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by the way TORM applies its accounting policies. An accounting estimate is considered critical if the estimate requires Management to make assumptions about matters subject to significant uncertainty, if different estimates could reasonably have been used, or if changes in the estimate that would have a material impact on the Company's financial position or results of operations are reasonably likely to occur from period to period. Management believes that the accounting estimates applied are appropriate and the resulting balances are reasonable. However, actual results could differ from the original estimates requiring adjustments to these balances in future periods.

Management believes that the following are the significant accounting estimates and judgments used in the preparation of the consolidated financial statements:

Reverse acquisition
TORM's Restructuring was completed on 13 July 2015 and included inter alia a contribution by OCM Njord Holdings S.à r.l. ("Njord Luxco") of Njord to TORM in exchange for a controlling interest in TORM. The transaction is described in detail in note 2. Management has concluded that the contribution should be accounted for as a reverse acquisition according to IFRS 3 (Revised 2008) – Business Combinations ("IFRS 3"), i.e. Njord is the acquirer and Former TORM is the acquiree. Management's most significant judgements applying to the accounting policies relate to:

- Identification of the acquirer
- Calculation of consideration

Identification of the acquirer
IFRS 3 requires that the determination of the acquirer shall be determined based on the guidance in IFRS 10 – "Consolidated Financial Statements", which means that the acquirer will be the entity that obtains control over the acquiree. The acquirer in a business combination will therefore most often be the entity (Former TORM A/S) legally acquiring the other (Njord) in exchange for cash, other assets or in exchange for issuing its equity interests. However, IFRS 3 states that in some cases the accounting acquirer can be the entity that is legally being acquired, i.e. Former TORM A/S. The latter is typically the case when the former shareholder (Njord Luxco) of the entity whose shares are being acquired (Njord) owns the majority of shares and controls the majority of votes in the combined entity (TORM) after the transaction.

Following the transaction, Njord Luxco will have control with the majority of the share capital and associated votes of Former TORM A/S, which led Management to conclude that the transaction is to be accounted for as a reverse acquisition, i.e. as if Former TORM A/S has been acquired by Njord rather than Former TORM A/S acquiring Njord.

Calculation of consideration
Based on the provision of IFRS 3, Njord's purchase price for a controlling interest in Former TORM A/S is calculated as the fair value of the interest in Njord that the existing shareholders and warrant holders in Former TORM A/S would have received, had the business combination of Former TORM A/S and Njord not been a reverse acquisition. As the issued shares of Former TORM A/S are publicly traded, Management has considered whether the fair value of Former TORM A/S would be a more reliable measure of the consideration. Management believes that the fair value of the interest in Njord that would have been issued represents the fair value of the consideration more reliably than the share price of Former TORM A/S. The share price of Former TORM A/S was very volatile during the period before the Restructuring due to the significant uncertainty about Former TORM A/S' future as an independent group.

NOTE 1 – CONTINUED

Carrying amounts of vessels (including newbuildings)
The Company evaluates the carrying amounts of the vessels to determine if events have occurred that would require a modification of their carrying amounts. The valuation of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. In assessing the recoverability of the vessels, the Company reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand and general market conditions. Furthermore, market valuations from leading, independent and internationally recognized shipbrokers are obtained on a quarterly basis as part of the review for potential impairment indicators. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying amount of the vessels to the higher of the fair value less cost to sell and the value in use.

The review for potential impairment indicators and projection of future undiscounted and discounted cash flows related to the vessels is complex and requires the Company to make various estimates including future freight rates, earnings from the vessels and discount rates. Historically, all these factors have been volatile. The carrying amounts of TORM's vessels may not represent their fair market value at any point in time, as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of newbuildings. However, if the estimated future cash flow or related assumptions in the future experience change, an impairment write-down of vessels may be required.

NOTE 2

BUSINESS COMBINATIONS

TORM A/S' Restructuring was completed on 13 July 2015 and included inter alia a contribution by OCM Njord Holdings S.à.r.l. ("Njord Luxco") of its 100% owned subsidiary Njord to TORM A/S in exchange for a controlling interest in TORM A/S.

Following the implementation of the Restructuring, Njord Luxco, holding 61.99% of the voting rights (excluding the voting rights attached to the C Share) in TORM A/S, and its subsidiaries, including Njord and Njord's subsidiaries (the "Combined Group"), controls the Combined Group in accordance with IFRS 10 "Consolidated financial statements", as it controls the majority of the voting rights in the Combined Group. Accordingly, the contribution of Njord by Njord Luxco in exchange for a controlling interest in the Combined Group has been accounted for as a reverse acquisition in accordance with IFRS 3, "Business Combinations", which means that for financial reporting purposes, Njord is considered the accounting acquirer and the continuing reporting entity. Consequently, the consolidated financial statements of TORM following the Restructuring are a continuation of the financial statements of Njord as the reporting continuing entity, despite TORM A/S being the legal acquirer and the continuing publicly listed company.

Njord's purchase price for a controlling interest in TORM A/S is calculated as the fair value of the interest in Njord that the existing shareholders and warrant holders of TORM A/S would have received, had the business combination of TORM A/S and Njord not been a reverse acquisition. The value is based on the value agreed between TORM A/S, Njord Luxco and certain of TORM A/S' pre-Restructuring shareholders and lenders for the purposes of determining the ownership interest in TORM A/S obtained by Njord Luxco in exchange for the contribution of Njord.

Goodwill that arose in the combination relates to the benefit of expected synergies from combining operations of the acquiree and the acquirer. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets.

The freight and other receivables acquired with a total fair value of USD 60.0m had a gross contractual amount of USD 61.9m. The best estimate at the acquisition date of the contractual cash flows not to be collected is USD 1.9m.

No acquisition-related costs have been incurred.

Since the acquisition date, revenue of USD 390.8m and profit for the period of USD 88.2m are included in the consolidated income statement.

Had the business combination been effected as of 1 January 2015, the revenue of the combined Group would have been USD 854.3m and the profit for the year would have been USD 186.7m.

The preparation of the pro forma figures for revenue and profit for the year is based on actual earnings for the period and the fair values used in the pre-acquisition balance sheet and the effect thereof on earnings, including depreciation on tangible fixed assets.

Assets acquired and liabilities assumed in the business combination at fair value

USDm	
Tangible fixed assets	859.9
Investment in joint ventures	0.3
Bunkers	27.8
Freight receivables	53.4
Other receivables	6.6
Prepayments	10.6
Cash and cash equivalents	77.5
Deferred tax liability	-45.1
Mortgage debt and bank loans	-560.7
Finance lease liabilities	-13.5
Trade payables	-27.3
Current tax liabilities	-1.4
Other liabilities	-29.7
Time charter contracts	-1.6
Deferred income	-0.4
Net assets acquired	**356.4**
Goodwill	11.4
Consideration (purchase price)	**367.8**
Of which:	
Shares	349.8
Consideration warrants (see note 14)	18.0
	367.8

NOTE 3

LIQUIDITY, CAPITAL RESOURCES AND SUBSEQUENT EVENTS

LIQUIDITY AND CAPITAL RESOURCES
As of 31 December 2015, TORM's cash position totaled USD 168m (2014: USD 38m) and undrawn credit facilities amounted to USD 75m (2014: USD 0m). TORM had seven (2014: six) newbuildings on order for delivery in 2016-2018 of which three have been delivered in the first quarter of 2016. The total outstanding CAPEX related to these newbuildings was USD 224m (2014: USD 171m).

TORM has a Term Facility Agreement of USD 561m and an undrawn Working Capital Facility of USD 75m both with maturity in 2021. In addition, a finance lease liability with a purchase obligation of USD 12.8m (JPY 1.5bn) expiring in 2017 is acquired as part of the reverse acquisition. The Term Facility Agreement includes a Cash Sweep Period of two years from the Restructuring date during which the size of loan repayments will depend on the actual cash position. In addition to the Term Facility Agreement and the Working Capital Facility, TORM had bilateral loan agreements with Danske Bank and Danish Ship Finance of USD 218m in total at the end of 2015. As of 31 December 2015, the scheduled minimum amortizations on mortgage debt and bank loans in 2016 were USD 49m.

Financial covenants related to TORM's bank debt facilities include:

- Minimum liquidity: Cash plus available part of the USD 75m Working Capital Facility must exceed the greater of USD 50m and 5% of the Group's debt provided that at least USD 20m shall consist of cash
- Equity ratio: The equity ratio adjusted for the fair market values of vessels must be above 25%
- In addition to the financial covenants other covenants include Loan-To-Value and Minimum Value clauses limiting the ratio of debt to vessel values

As of 31 December 2015, TORM is in compliance with all covenants.

SUBSEQUENT EVENTS

On 13 January 2016, TORM completed a reduction of the Company's share capital by cancellation of treasury shares acquired through the redemption process in connection with the implementation of the reverse stock split on 24 September 2015. TORM's share capital is hereafter DKK 957,396,585.02 and comprises 63,826,439 A shares of DKK 15 each, one B share of DKK 0.01 and one C share of DKK 0.01 (cf. company announcement no. 1 dated 13 January 2016).

On 18 January 2016, the Board of Directors granted certain employees (the "Participants") Restricted Share Units ("RSU") in the form of restricted stock options. The Board of Directors of TORM has granted the Participants a total of 850,667 RSUs and, subject to vesting, each RSU entitles the holder to acquire one TORM A share. The RSUs will vest over a three-year period, with one third of the grant amount vesting at each anniversary during the three-year period. The exercise price for each TORM A share is DKK 96.3. During 2016, the Chief Executive Officer may be granted up to 1,276,725 RSUs and, subject to vesting, each RSU will entitle the Chief Executive Officer to acquire one TORM A/S A share. RSUs granted to the Chief Executive Officer will vest over a five-year period, with one fifth of the grant amount vesting at each anniversary during the five-year period. The exercise price for each TORM A share is DKK 96.3.

The theoretical market value of the RSU allocation is calculated at USD 5.0m based on the Black-Scholes model (cf. company announcement no. 2 dated 18 January 2016).

NOTE 4

USDm	2015 Tanker Segment	2015 Bulk Segment	2015 Not allocated	2015 Total	2014 Tanker Segment	2014 Bulk Segment	2014 Not allocated	2014 Total
CONSOLIDATED SEGMENT INFORMATION								
INCOME STATEMENT								
Revenue	538.7	1.7	-	540.4	179.9	-	-	179.9
Port expenses, bunkers and commissions	-169.2	-0.4	-	-169.6	-81.2	-	-	-81.2
Time charter equivalent earnings	**369.5**	**1.3**	**0.0**	**370.8**	**98.7**	**0.0**	**0.0**	**98.7**
Charter hire	-11.1	-0.9	-	-12.0	-	-	-	0.0
Operating expenses	-121.7	-1.2	-	-122.9	-50.3	-	-	-50.3
Gross profit/loss (Net earnings/loss from shipping activities) (Segment result)	**236.7**	**-0.8**	**0.0**	**235.9**	**48.4**	**0.0**	**0.0**	**48.4**
Administrative expenses			-19.5	-19.5			-0.9	-0.9
Other operating expenses			-6.3	-6.3			-6.6	-6.6
Share of profit from joint ventures			0.2	0.2			-	0.0
EBITDA			**-25.6**	**210.3**			**-7.5**	**40.9**
Depreciation			-67.3	-67.3			-24.8	-24.8
Operating profit (EBIT)			**-92.9**	**143.0**			**-32.3**	**16.1**
Financial income			1.0	1.0			-	0.0
Financial expenses			-16.9	-16.9			-3.5	-3.5
Profit before tax			**-108.8**	**127.0**			**-35.8**	**12.6**
Tax			-1.0	-1.0			-	0.0
Net profit for the year			**-109.9**	**126.0**			**-35.8**	**12.6**

TORM consists of two business segments: The Tanker Segment and the Bulk Segment. This segmentation is based on the Group's internal management and reporting structure. During Q4 2015, the Company divested its bulk activities.

During the year, there have been no transactions between the Tanker and the Bulk Segments, and therefore all revenue derives from external customers.

All revenue is derived from transportation services. In all material aspects, the Company's customers are domiciled outside Denmark. A significant part of the Company's revenue, approximately 31.2% (2014: 26%), is derived from customers registered in Singapore. Singapore is one of the largest shipping hubs with the presence of a large part of the world's oil trading industry.

The carrying amount of non-current assets owned by Group entities domiciled outside Denmark amounts to 53.4% of which entities domiciled in Singapore amount to 40.4%. Non-current assets domiciled in Denmark amount to 46.6%.

Because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world, the Group has only one geographical segment.

In the Tanker Segment, a major part of the Company's freight revenue is concentrated on a small group of customers. In 2015, two customers (2014: one) in the Tanker Segment accounted for more than 10% of the total freight revenue of the Company each. These two customers account for USD 68.2m and USD 56.1m (2014: the customer accounted for USD 22.9m) of the total freight revenue respectively.

Please also refer to the section "Segment information" in note 1.

NOTE 5

USDm	2015	2014
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	9.7	-
Staff costs included in administrative expenses	14.2	-
Total	**23.9**	**0.0**

Staff costs comprise the following:		
Wages and salaries	22.4	-
Pension costs	1.4	-
Other social security costs	0.1	-
Total	**23.9**	**0.0**

Of which remuneration to the Board of Directors and salaries to the Executive Management:

USD '000	2015				2014			
	Board remuner-ation	Committee remuner-ation	Additional meetings and travel allowance	Total short-term benefits	Board remuner-ation	Committee remuner-ation	Additional meetings and travel allowance	Total short-term benefits
Board of Directors								
Cheam Directors Limited 1)	3	-	-	3	3	-	-	3
Katherine Margaret Ralph 2)	-	-	-	0	-	-	-	0
Szymon Stanislaw Dec 3)	-	-	-	0	-	-	-	0
Christopher H. Boehringer 4)	58	30	-	88	-	-	-	0
Kari Millum Gardarnar	29	-	2	31	-	-	-	0
Rasmus J. Skaun Hoffmann	29	-	-	29	-	-	-	0
Flemming Ipsen 5)	27	11	-	38	-	-	-	0
Olivier Dubois 5)	9	8	-	17	-	-	-	0
Alexander Green 5)	9	10	-	19	-	-	-	0
Jon Syvertsen 5)	9	10	-	19	-	-	-	0
David Neil Weinstein 6)	38	10	-	48	-	-	-	0
Torben Janholt 6)	20	28	-	48	-	-	-	0
Pär Göran Trapp 6)	20	38	-	58	-	-	-	0
Jeffery Stein 7)	7	-	-	7	-	-	-	0
Total	**258**	**145**	**2**	**405**	**3**	**0**	**0**	**3**

1) Former member of the Board of Directors of Njord. Left the Board of Directors due to the reverse aquisition on 13 July 2015.
2) Former member of the Board of Directors of Njord and resigned on 20 August 2014.
3) Former member of the Board of Directors of Njord and resigned on 30 January 2015.
4) Former member of the Board of Directors of Njord but continued after the Restructuring.
5) Former member of the Board of Directors of Former TORM A/S, resigned on 25 August 2015.
6) Appointed on 25 August 2015.
7) Appointed as Board Observer on 16 November 2015.

	Short-term benefits			
Executive Management 2015	Salaries	Bonus	Pension	Total
Jacob Meldgaard	381	624	-	1.005
Total	**381**	**624**	**0**	**1.005**

The Company did not have an Executive Management in 2014.

Employee information

The average number of permanently employed staff in the Group in 2015 was 133 land-based employees (2014: 0) and 65 seafarers (2014: 0).

The majority of the staff on vessels are not employed by TORM.

The average number of employees is calculated as a full-time equivalent (FTE).

The member of Executive Management is, in the event of termination by the Company, entitled to a severance payment of up to 12 months' salary.

NOTE 5 – CONTINUED

INCENTIVE SCHEME FOR MANAGEMENT AND CERTAIN EMPLOYEES FOR 2010-2012

INCENTIVE SCHEME

In connection with the reverse acquisition of Former TORM A/S, the Company has assumed fully vested share options granted to management and certain key employees of Former TORM A/S. Each share option gives right to acquire one share with a nominal value of DKK 15. The share options that are granted in 2010 and 2011 may be exercised until the publication of the annual report for 2016 and 2017 at an exercise price of DKK 50,385 and DKK 40,805, respectively. The nominal value and the exercise price have been adjusted to reflect the reverse stock split with a consolidation ratio of 1,500 : 1 in September 2015.

Number of share options	**Total options 2015**	Total options 2014
Not exercised as of 1 January	0	0
Reverse acquisition of TORM A/S	1,687	-
Not exercised as of 31 December	**1,687**	**0**
Total number of share options that could be exercised as of 31 December	**1,687**	**0**

NOTE 6

USDm	2015	2014
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.5	0.1
Audit-related fees	0.7	0.0
Tax fees	0.0	0.1
Fees other services	0.4	0.0
Total	**1.6**	**0.2**

NOTE 7

USDm	Goodwill
INTANGIBLE ASSETS	
Cost:	
Balance as of 1 January 2014	0.0
Additions	-
Balance as of 31 December 2014	**0.0**
Impairment losses:	
Balance as of 1 January 2014	0.0
Impairment losses for the year	-
Balance as of 31 December 2014	**0.0**
Carrying amount as of 31 December 2014	**0.0**
Cost:	
Balance as of 1 January 2015	0.0
Additions	11.4
Balance as of 31 December 2015	**11.4**
Impairment losses:	
Balance as of 1 January 2015	0.0
Impairment losses for the year	-
Balance as of 31 December 2015	**0.0**
Carrying amount as of 31 December 2015	**11.4**

The goodwill acquired during the year of USD 11.4m relates to the reverse acquisition of TORM A/S and has been allocated to the Tanker Segment. Please refere to note 2 for further information.

Please refer to note 9 for impairment testing of goodwill.

NOTE 8

USDm	Vessels and capitalized dry-docking	Prepay-ments on vessels	Other plant and operating equipment	**Total**
TANGIBLE FIXED ASSETS				
Cost:				
Balance as of 1 January 2014	186.8	0.0	0.0	186.8
Additions	343.3	34.7	-	378.0
Disposals	0.0	0.0	-	0.0
Balance as of 31 December 2014	**530.1**	**34.7**	**0.0**	**564.8**
Depreciation:				
Balance as of 1 January 2014	3.1	0.0	0.0	3.1
Disposals	-	-	-	0.0
Depreciation for the year	24.8	-	-	24.8
Balance as of 31 December 2014	**27.9**	**0.0**	**0.0**	**27.9**
Carrying amount as of 31 December 2014	**502.2**	**34.7**	**0.0**	**536.9**
Of which finance leases	-	-	-	0.0
Cost:				
Balance as of 1 January 2015	530.1	34.7	0.0	564.8
Exchange rate adjustment	-	-	0.0	0.0
Additions	112.0	142.5	0.9	255.4
Additions from business combination	857.4	-	2.5	859.9
Disposals	-18.6	-	-0.2	-18.8
Transferred to/from other items	104.6	-104.6	-	0.0
Transferred to assets held-for-sale during the year	-18.0	-	-	-18.0
Balance as of 31 December 2015	**1,567.5**	**72.6**	**3.2**	**1,643.3**
Depreciation:				
Balance as of 1 January 2015	27.9	0.0	0.0	27.9
Exchange rate adjustment	-	-	0.0	0.0
Disposals	-18.6	-	-0.2	-18.8
Depreciation for the year	66.5	-	0.9	67.4
Transferred to assets held-for-sale during the year	-0.3	-	-	-0.3
Balance as of 31 December 2015	**75.5**	**0.0**	**0.7**	**76.2**
Carrying amount as of 31 December 2015	**1,492.0**	**72.6**	**2.5**	**1,567.1**
Of which finance leases	13.1	-	-	13.1

Included in the carrying amount for “Vessels and capitalized dry-docking” are capitalized dry-docking costs in the amount of USD 81.7m (2014: USD 17.3m).

For information on assets used as collateral security, please refer to note 17.

In all material aspects, the depreciation under “Other plant and operating equipment” of USD 0.9m relates to office and IT equipment (2014: USD 0.0m).

Please refer to note 9 for information on impairment testing.

For assets held-for-sale, please refer to note 25.

NOTE 9

IMPAIRMENT TESTING

As of 31 December 2015, Management performed an impairment test of goodwill by reviewing the recoverable amount of the cash generating unit, the Tanker Segment, to which the goodwill from the reverse acquisition of TORM A/S has been allocated. Goodwill amounts to USD 11.4m as of 31 December 2015 (31 December 2014: USD 0.0m).

As of 31 December 2015, the assessment of the recoverable amount of the Tanker Segment is based on the fair value less costs to sell the individual assets and liabilities making up the segment.

In the assessment of the fair value less costs to sell the vessels making up the majority of the assets, Management included a review of vessel market values calculated as the average of valuations from two internationally acknowledged shipbrokers with appropriate qualifications and recent experience in the valuation of vessels. The fair value is based on the assumption that the vessels are in good and seaworthy condition and with prompt, charter-free delivery.

The fair value of the related mortgage debt, bank loans and other liabilities is based on the carrying value of these debts and liabilities, which approximates the fair value.

The fair value less costs to sell the vessels is determined to be within level 3 of the fair value hierarchy. The fair value less costs to sell mortgage debt, bank loans and other liabilities is determined to be within level 2 of the fair value hierarchy. Please refer to note 23 for further information on fair value hierarchies.

As of 31 December 2015, the fair value less cost to sell the individual assets and liabilities of the Tanker Segment exceeds the carrying value including goodwill of the segment. As such, goodwill and other assets including vessels are not impaired as of 31 December 2015.

NOTE 10

USDm	2015	2014
FINANCIAL ITEMS		
Financial income		
Interest income*)	0.3	0.0
Exchange rate adjustments, including net gain from forward exchange rate contracts	0.7	0.0
Total	**1.0**	**0.0**
Financial expenses		
Interest expenses on mortgage and bank debt*)	-15.0	-3.5
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	-0.6	0.0
Other financial expenses	-1.3	0.0
Total	**-16.9**	**-3.5**
Total financial items	**-15.9**	**-3.5**

*) Interest for financial assets and liabilities not at fair value through profit and loss.

NOTE 11

USDm	2015	2014
FREIGHT RECEIVABLES		
Analysis as of 31 December of freight receivables:		
Neither past due nor impaired	40.3	16.1
Past due not impaired:		
Due < 30 days	22.8	3.9
Due between 30 and 180 days	16.4	15.2
Past due and impaired:		
Due > 180 days	5.3	0.0
Total gross	**84.8**	**35.2**
Provision for impairment of freight receivables	1.7	0.0
Total net	**83.1**	**35.2**

As of 31 December 2015, freight receivables included receivables at a value of USD 1.9m (2014: USD 0.0m) that are individually determined to be impaired to a value of USD 0.2m (2014: USD 0.0m).

Movements in provisions for impairment of freight receivables during the year are as follows:

USDm	2015	2014
PROVISIONS FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance as of 1 January	0.0	0.0
Addition from business combination	1.9	0.0
Provisions for the year	0.5	0.0
Provisions reversed during the year	-0.7	0.0
Provisions utilized during the year	0.0	0.0
Balance as of 31 December	**1.7**	**0.0**

Provisions for impairment of freight receivables have been recognized in the income statement under "Port expenses, bunkers and commissions".

The provisions are based on an individual assessment of each receivable.

NOTE 12

USDm	2015	2014
OTHER RECEIVABLES		
Partners and commercial managements	0.3	0.0
Derivative financial instruments	1.6	0.0
Tax receivables	1.7	0.0
Miscellaneous, including items related to shipping activities	2.2	0.8
Total	**5.8**	**0.8**

No significant other receivables are past due nor impaired.

NOTE 13

USDm	2015	2014
TAX		
Current tax for the year	-1.3	-
Adjustments related to previous years	0.2	-
Adjustment of deferred tax asset	0.1	-
Total	**-1.0**	**0.0**

	2015	2014
RECONCILIATION OF THE EFFECTIVE CORPORATION TAX RATE FOR THE YEAR		
Corporation tax rate in Denmark	23.5%	-
Differences in tax rates, foreign subsidiaries	-0.4%	-
Adjustment of tax related to previous years	-0.1%	-
Effect from the tonnage tax scheme	-22.2%	-
Effective corporate tax rate	**0.8%**	**0.0%**

During the year, the Company has been subject to Danish corporate tax rate as a result of the reverse acquisition of TORM A/S. The Danish corporate tax rate has decreased from 24.5% in 2014 to 23.5% in 2015.

The Company participates in the tonnage tax scheme in Denmark. The participation in the tonnage tax scheme is binding until 31 December 2025.

Under the Danish tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation. Instead, the taxable income is calculated from:
- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel, based on a sliding scale
- The number of days the vessels are used during the year

The Company expects to participate in the tonnage tax scheme after the binding period and at a minimum to maintain an investing and activity level equivalent to the time of entering the tonnage tax scheme.

USDm	2015	2014
DEFERRED TAX LIABILITY		
Balance as of 1 January	0.0	0.0
Addition from business combination	45.1	-
Balance as of 31 December	**45.1**	**0.0**

Essentially all deferred tax relates to vessels included in the transition account under the Danish tonnage tax scheme.

NOTE 14

	2015	2014	2015	2014
	Number of shares million	Number of shares million	Nominal value DKKm	Nominal value DKKm
COMMON SHARES				
Balance as of 1 January	39.6	39.6	593.5	593.5
Reverse acquisition	24.2	-	364.0	-
Balance as of 31 December	**63.8**	**39.6**	**957.5**	**593.5**

For accounting purposes due to the reverse acquisition of TORM A/S, the common shares have been adjusted retrospectively to reflect the issued capital and common shares of TORM A/S amounting to USD 88m as of 1 January 2014.

NOTE 14 - CONTINUED

Common shares

As of 31 December 2015, TORM's share capital comprises 63,836,249 A shares of DKK 15 each, one B share of DKK 0.01 and one C share of DKK 0.01. All issued shares are fully paid.

In connection with the asset contribution by Njord, one C share of DKK 0.01 in nominal value has been issued to Njord Luxco against payment in cash of DKK 10. The C share represents 525,000,000,000 votes at the general meeting in respect of certain specified matters, including election of members to the Board of Directors (including the Chairman, but excluding the Deputy Chairman) and certain amendments to the Articles of Association proposed by the Board of Directors. The C share has no pre-emption rights in relation to any issue of new shares of other classes and carries no right to receive dividends, liquidation proceeds or other distributions from TORM. The C share cannot be transferred or pledged, except to an affiliate of Njord Luxco.

In addition, one B Share of DKK 0.01 in nominal value has been issued to SFM Trustees Limited, as Minority Trustee, against payment in cash of DKK 10. The B share has one vote at the general meeting, has no pre-emption rights in relation to any issue of new shares of other classes and carries no right to receive dividends, liquidation proceeds or other distributions from TORM. The holder of the B share has the right to elect one member to the Board of Directors (being the Deputy Chairman), up to three alternates as well as one Board Observer. The B share cannot be transferred or pledged, except for a transfer to a replacement trustee.

The B share and the C share are redeemable by TORM A/S in the event that (i) TORM has received written notification from Njord Luxco (or its affiliates) that Njord Luxco and its affiliates (as defined in the Articles of Association) hold less than 1/3 in aggregate of TORM's issued and outstanding shares, (ii) five business days have elapsed from the Board of Directors' receipt of such written notice either without any Board member disputing such notice or with at least 2/3 of the Board members confirming such notice, and (iii) both of the B share and the C share are redeemed at the same time.

Issued warrants

As part of the Restructuring in 2015, Former TORM A/S issued 7,181,578,089 warrants each entitling their holder to subscribe for one new A share in Former TORM A/S of DKK 0.01 nominal value corresponding to 7.5% of the post-restructuring equity without pre-emption rights for TORM's existing shareholders.

Because of the reverse acquisition, as explained in note 2, the fair value of the warrants is seen as the consideration that Njord is paying for the acquisition of Former TORM A/S. The fair value of the warrants of USD 18m is recognized under Retained profit in equity as a result of the reverse acquisition of Former TORM A/S.

The warrants were consolidated on a 1,500:1 basis into 4,787,692 warrants with effect from 24 September 2015. The warrants are exercisable at any time after 13 July 2016, but no later than 13 July 2020. The exercise price for the warrants is DKK 96.3 per TORM A/S A share and is subject to certain terms and conditions, including adjustment provisions in case of e.g. changes in capital structure.

	2015	2014	**2015**	2014	**2015**	2014
	Number of shares ('000)	Number of shares ('000)	Nominal value DKKm	Nominal value DKKm	% of share capital	% of share capital
TREASURY SHARES						
Balance as of 1 January	0.0	0.0	0.0	0.0	0.0	0.0
Reverse acquisition	4.4	-	0.0	-	0.0	-
Additions	10.9	-	0.2	-	0.2	-
Balance as of 31 December	**15.3**	**0.0**	**0.2**	**0.0**	**0.2**	**0.0**

The total consideration for the treasury shares was USD 0.2m (2014: USD 0.0m). At 31 December 2015, the Company's holding of treasury shares represented 15,319 shares (2014: 0 shares) of DKK 15 each at a total nominal value of DKK 0.2m (2014: DKK 0.0m) and a market value of USD 0.2m (2014: USD 0.0m).

The retained treasury shares equate to 0.2% (2014: 0.0%) of the Company's common shares.

NOTE 15

USDm	2015	2014
OTHER LIABILITIES		
Partners	3.3	0.0
Accrued operating expenses	13.1	0.0
Accrued interest	4.7	0.2
Wages and social expenses	17.0	0.0
Derivative financial instruments	0.2	0.0
Payables to joint ventures	0.1	0.0
Acquired time charter contracts	0.2	-
Miscellaneous, including items related to shipping activities	3.5	1.2
Total	**42.1**	**1.4**

Please refer to note 23 for further information on fair value hierarchies.

NOTE 16

EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTAGE DEBT AND BANK LOANS

In July 2015, TORM completed the Restructuring. The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities under the New Term Facility. As part of the Restructuring, TORM obtained a New Working Capital Facility of USD 75m. The New Working Capital Facility is secured by the same assets as the New Term Facility, but it ranks ahead of the New Term Facility with respect to the proceeds of enforcement of the collateral.

Please refer to note 3 for further information on the Company's liquidity and capital resources and note 21 and 22 for further information on interest rate swaps and financial risks.

The table below shows the effective interest and fair value of the mortgage debt and bank loans.

		2015			2014		
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	2019	4.1%*)	125.7	2019	4.9%	141.9
USD	Floating	2019	4.1%*)	26.0			-
USD	Floating	2021	4.3%	548.9			-
USD	Floating	2021	4.4%*)	66.6			-
Weighted average effective interest rate			4.3%			4.9%	
Fair value				**767.2**			**141.9**

*) Effective interest rate includes deferred and amortized bank fees and commitment fee.

The fair value has been determined in accordance with generally accepted pricing models based on discounted cash flows and with the most significant input being the discount rate that reflects the credit risk of the counterparty.

The fair value of mortage debt and bank loans is considered for fair value measurement at level 2 in the fair value hierarchy.

NOTE 17

USDm	2015	2014
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Fair value of loans collateralized by vessels	767.2	141.9
Total	**767.2**	**141.9**

The total carrying amount for vessels that have been provided as security amounts to USD1,329m as of 31 December 2015 (2014: USD 216m).

In addition, the vesssels have been provided as security for the undrawn Working Capital Facility of USD 75m.

NOTE 18

USDm	2015	2014
GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES		
Guarantee commitments	0.0	-
Total	**0.0**	**0.0**

The guarantee commitments of the Group are less than USD 0.1m and relate to guarantee comitments to the Danish Shipowners' Association.

The Group is involved in some legal proceedings and disputes. It is the opinion of Management that the outcome of these proceedings and disputes will not have any material impact on the Group's financial position, results of operations and cash flows.

NOTE 19

CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS

TORM has various contractual obligations and commercial commitments to make future payments including lease obligations, purchase commitments, interest payments and repayment of mortgage debt and bank loans.

The following table summarizes the Company's contractual obligations.

As of 31 December 2015:

USDm	2016	2017	2018	2019	2020	Thereafter	Total
Mortgage debt and bank loans 1)	48.8	48.8	74.3	155.4	57.1	382.8	767.2
Interest payments related to scheduled interest fixing	16.8	15.6	14.4	12.0	10.0	7.1	75.9
Estimated variable interest payments 2)	9.0	13.9	14.3	13.1	9.8	6.6	66.7
Total	**74.6**	**78.3**	**103.0**	**180.5**	**76.9**	**396.5**	**909.8**

USDm	2016	2017	2018	2019	2020	Thereafter	Total
Finance lease liabilities 3)	0.6	12.9	-	-	-	-	13.5
Interest element regarding finance lease	4.0	2.8	-	-	-	-	6.8
Newbuilding installments 4)	75.1	62.4	86.4	-	-	-	223.9
Chartered-in vessels (Operating lease) 5)	28.7	21.0	7.8	-	-	-	57.5
Derivative financial liabilities	0.2	-	-	-	-	-	0.2
Other operating leases 6)	3.9	2.1	1.5	0.8	0.1	0.1	8.5
Trade payables and other liabilities	54.7	-	-	-	-	-	54.7
Total	**167.2**	**101.2**	**95.7**	**0.8**	**0.1**	**0.1**	**365.1**

USDm	2016	2017	2018	2019	2020	Thereafter	Total
Contractual rights – as lessor:							
Charter hire income for vessels on time charter and bareboat charter (Operating lease) 7)	35.8	17.5	17.5	-	-	-	70.8
Total	**35.8**	**17.5**	**17.5**	**0.0**	**0.0**	**0.0**	**70.8**

NOTE 19 – CONTINUED

As of 31 December 2014:

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Mortgage debt and bank loans 1)	16.2	16.2	16.2	15.4	77.9	-	141.9
Interest payments related to scheduled interest fixing	1.3	-	-	-	-	-	1.3
Estimated variable interest payments 2)	3.9	5.5	5.6	5.0	2.2	-	22.2
Total	**21.4**	**21.7**	**21.8**	**20.4**	**80.1**	**0.0**	**165.4**

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Finance lease liabilities	-	-	-	-	-	-	0.0
Interest element regarding finance lease	-	-	-	-	-	-	0.0
Newbuilding installments 4)	153.5	17.1	-	-	-	-	170.6
Chartered-in vessels (Operating lease)	-	-	-	-	-	-	0.0
Derivative financial liabilities	-	-	-	-	-	-	0.0
Other operating leases	-	-	-	-	-	-	0.0
Trade payables and other liabilities	13.3	-	-	-	-	-	13.3
Total	**166.8**	**17.1**	**0.0**	**0.0**	**0.0**	**0.0**	**183.9**

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Contractual rights – as lessor:							
Charter hire income for vessels on time charter and bareboat charter (Operating lease) 7)	1.0	-	-	-	-	-	1.0
Total	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.0**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 1.0m (2014: USD 0.4m), which are amortized over the term of the loans.

2) Variable interest payments are estimated based on the forward rates for each interest period. This corresponds to an average net interest including margin of 3.3% for 2016 (2014: the average net interest rate for 2015 was 3.8%).

3) One leasing agreement includes a purchase liability at expiry of the leasing period.

4) As of 31 December 2015, TORM had seven contracted newbuildings (2014: six) to be delivered during 2016-2018.

5) Leases have been entered into with a mutually non-cancelable lease period of up to three years. Certain leases include a profit sharing element implying that the actual charter hire may be higher. The average period until redelivery of the vessels is 1.9 years (2014: 0.0 years).

6) Other operating leases primarily consist of contracts regarding office spaces, cars and apartments as well as IT-related contracts.

7) Charter hire income for vessels on time charter and bareboat charter is recognized under "Revenue". The average period until redelivery of the vessels is 0.6 year (2014: 0.1 year).

NOTE 20

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2015			
Falling due within one year	4.6	-4.0	0.6
Total current	4.6	-4.0	0.6
Falling due between one and five years	15.7	-2.8	12.9
Falling due after five years	-	-	0.0
Total non-current	15.7	-2.8	12.9
Total	**20.3**	**-6.8**	**13.5**
Fair value*)			**13.5**
2014			
Falling due within one year	-	-	0.0
Total current	0.0	0.0	0.0
Falling due between one and five years	-	-	0.0
Falling due after five years	-	-	0.0
Total non-current	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**
Fair value*)			**0**

*) The fair value of finance lease liabilities is considered for fair value measurement at level 2 in the fair value hierarchy.

The fair value has been determined in accordance with generally accepted pricing models based on discounted cash flows and with the most significant input being the discount rate that reflects the credit risk of the counterparty.

Finance lease in 2015 relates to one MR product tanker (2014: none) chartered on bareboat and expiring no later than in 2017. At the expiry of the charter period, the Company has an obligation to purchase the vessel.

During the year, the Company has recognized an expense of USD 0.7m under “Financial expenses” for contingent rent of the vessel relating to a profit split element of the lease agreement.

Please refer to note 23 for further information on fair value hierarchies.

NOTE 21

DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair value of the derivative financial instruments:

USDm	**Fair value as of 31 December 2015**	Fair value as of 31 December 2014
Hedge accounting cash flows:		
Derivative financial instruments regarding bunkers:		
Bunker swaps	-0.2	-
Derivative financial instruments regarding interest and currency exchange rate:		
Forward exchange contracts	0.8	-
Interest rate swaps	0.8	-
Total	**1.4**	**0.0**
Of which included in:		
Current assets		
Other receivables	1.6	-
Current liabilities		
Other liabilities	-0.2	-
Total	**1.4**	**0.0**

Please refer to note 23 for further information on fair value hierarchies.

Bunker swaps with a fair value of USD -0.2m of a closed hedge will be recognized in the income statement in 2016.

Forward exchange contracts with a fair value of USD 0.8m are designated as hedge accounting to hedge a part of TORM's payments in 2016 regarding administrative and operating expenses denominated in DKK with a notional value of DKK 235.1m.

Interest rate swaps with a fair value of USD 0.8m are designated as hedge accounting to hedge a part of TORM's interest payments during the period 2016 to 2021 with a notional value of USD 382.3m.

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in income statements and equity in 2015 and 2014:

	Income statement		
2015 USDm	Revenue	Port expenses, bunkers and commissions	Equity hedging reserves
Forward Freight Agreements	0.6	-	0.0
Bunker swaps	-	-0.9	-0.2
Forward exchange contracts	-	-	0.8
Interest rate swaps	-	-	0.8
Total	**0.6**	**-0.9**	**1.4**
2014			
Forward Freight Agreements	-	-	-
Bunker swaps	-	-	-
Forward exchange contracts	-	-	-
Interest rate swaps	-	-	-
Total	**0.0**	**0.0**	**0.0**

Please refer to the section "Risk Management" and note 22 for further information on commercial and financial risks.

NOTE 22

RISKS ASSOCIATED WITH TORM'S ACTIVITIES

The risks can generally be divided into four main categories: 1) Long-term strategic risks, 2) Industry and market-related risks, 3) Operational and compliance risks and 4) Financial risks.

The risks described under each of the four categories are considered to be among the most significant risks for TORM within each category.

1) LONG-TERM STRATEGIC RISKS

Industry-changing risks, such as the substitution of oil for other energy sources, technological changes and radical changes in transportation patterns, are considered to have a relatively high potential impact, but are long-term risks. Management continues to monitor long-term strategic risks to ensure the earliest possible mitigation of potential risks also to develop necessary capabilities to exploit opportunities created by the same risks.

2) INDUSTRY AND MARKET-RELATED RISKS

Industry and market-related risk factors relate to changes in the markets and in the political, economic and physical environment that Management cannot control, such as freight rates and vessel and bunker prices.

FREIGHT RATE FLUCTUATIONS

The Company's income is principally generated from voyages carried out by its fleet of vessels. As such, TORM is exposed to the considerable volatility that characterizes freight rates on such voyages.

In the Tanker Segment, it is the Company's strategy to seek a certain exposure to this risk, as volatility also represents an opportunity, because earnings historically have been higher in the day-to-day market compared to time charters. The fluctuations in freight rates for different segments and different routes may vary substantially. However, TORM is aiming at reducing the sensitivity to the volatility of such specific freight rates by achieving economies of scale, by actively seeking the optimal geographical positioning of the fleet and by optimizing the service offered to customers.

Within the Tanker Segment, freight income is to a certain extent covered against general fluctuations through the use of physical contracts, such as cargo contracts and time charter agreements with durations of 6-36 months. In addition, TORM uses financial instruments such as Forward Freight Agreements (FFAs) with coverage of typically 0-24 months forward, based on market expectations and in accordance with the Company's risk management policies. In 2015, 5% (2014: 9%) of freight earnings deriving from the Company's tankers was secured in this way. Physical time charter contracts accounted for 95% (2014: 100%) of overall hedging. In 2015, the Company entered into FFAs with a total notional contract value of USD 2m (2014: USD 0m). At the end of 2015, the coverage for 2016 for all segments was at a relatively low level of 8% (2014: 7%).

FFA trade and other freight-related derivatives are subject to specific policies and guidelines approved by the Board of Directors, including trading limits, stop-loss policies, segregation of duties and other internal control procedures.

By the end of 2015, TORM has completed its exit from bulk and is no longer exposed to this market.

All things being equal and to the extent the Company's vessels have not already been chartered out at fixed rates, a freight rate change of USD/day 1,000 would lead to the following change in profit before tax and equity based on the expected number of earning days for the coming financial year:

USD m	**2016**	2015
SENSITIVITY TO CHANGES IN FREIGHT RATES		
Increase in freight rates of USD/day 1,000:		
Change in profit before tax	26.7	6.1
Change in equity	26.7	6.1

SALES AND PURCHASE PRICE FLUCTUATIONS

As an owner of 74 vessels, TORM is exposed to risks associated with changes in the value of the vessels, which can vary considerably during their useful lives. As of 31 December 2015, the carrying value of the fleet was USD 1,492m (2014: USD 502m). Based on broker valuations, TORM's fleet had a market value of USD 1,626m as of 31 December 2015 (2014: USD 513m).

During the year, TORM has increased its fleet by 49 product tankers and two bulk vessels. The two bulk vessels were subsequently sold which completed TORM's exit from the bulk market.

During the year, TORM has taken delivery of three newbuildings and 48 second-hand vessels, 45 of which were acquired as part of the Restructuring in July 2015. Furthermore, TORM has seven vessels on order for delivery in 2016-2018.

BUNKER PRICE FLUCTUATIONS

The cost of fuel oil consumed by the vessels, known in the industry as bunkers, accounted for 57% of the total voyage costs in 2015 (2014: 69%) and is by far the biggest single cost related to a voyage.

TORM is exposed to fluctuations in bunker prices that are not reflected in the freight rates achieved by the Company. To reduce this exposure, TORM hedges part of its bunker requirements with oil derivatives.

Bunker trade is subject to specific risk policies and guidelines approved by the Board of Directors including trading limits, stop-loss, stop-gain and stop-at-zero policies, segregation of duties and other internal control procedures.

TORM applies hedge accounting to certain bunker hedge contracts. Hedge accounting is applied systematically and is based on specific policies.

In 2015, TORM covered 0.7% (2014: 0.0%) of its bunker requirements by using hedging instruments.

All things being equal, a price change of 10% per ton of bunker oil (without subsequent changes in freight rates) would lead to the following change in expenditure based on the expected bunker consumption in the spot market:

USD m	**2016**	2015
SENSITIVITY TO CHANGES IN THE BUNKER PRICES		
Increase in the bunker prices of 10% per ton:		
Change in profit before tax	-12.8	-5.6
Change in equity	-12.8	-5.6

NOTE 22 – CONTINUED

3) OPERATIONAL AND COMPLIANCE RISKS

Operational risks are risks associated with the ongoing operations of the business and include risks such as safe operation of vessels, availability of experienced seafarers and staff, terrorism, piracy, insurance and counterparty risk.

INSURANCE COVERAGE

In the course of the fleet's operation, various casualties, accidents and other incidents may occur that may result in financial losses for TORM. For example, national and international rules, regulations and conventions mean that the Company may incur substantial liabilities in the event that a vessel is involved in an oil spill or emission of other environmentally hazardous agents.

In order to reduce the exposure to these risks, the fleet is insured against such risks to the extent possible. The total insurance program comprises a broad cover of risks in relation to the operation of vessels and transportation of cargoes, including personal injury, environmental damage and pollution, cargo damage, third-party casualty and liability, hull and machinery damage, total loss and war. All TORM's owned vessels are insured for an amount corresponding to their market value plus a margin to cover any fluctuations. Liability risks are covered in line with international standards. It is TORM's policy to cooperate with financially sound international insurance companies with a credit rating of BBB or better, presently some 14-16 companies, along with two P&I Clubs, to diversify risk. The P&I Clubs are members of the internationally recognized collaboration, International Group of P&I Clubs, and the Company's vessels are each insured for the maximum amounts available in the P&I system. At the end of 2015, the aggregate insured value of hull and machinery and interest for TORM's owned vessels amounted to USD 2.0bn (2014: USD 0.7bn).

COUNTERPARTY RISK

The negative development in the shipping industry since 2009 caused counterparty risk to be an ever-present challenge demanding close monitoring to manage and decide on actions to minimize possible losses. The maximum counterparty risk associated is equal to the values recognized in the balance sheet. A consequential effect of the counterparty risk is loss of income in future periods, e.g. counterparts not being able to fulfill their responsibilities under a time charter, a contract of affreightment or an option. The main risk is the difference between the fixed rates under a time charter or a contract of affreightment and the market rates prevailing upon default.

The Company has focused closely on its risk policies and procedures during the year to assure that risks managed in the day-to-day business are kept at agreed levels and that changes in the risk situations are brought to Management's attention.

The Company's counterparty risks are primarily associated with:
- Receivables, cash and cash equivalents
- Contracts of affreightment with a positive fair value
- Derivative financial instruments and commodity instruments with positive fair value

Receivables, cash and cash equivalents

The majority of TORM's customers are companies that operate in the oil industry. It is assessed that these companies are, to a great extent, subject to the same risk factors as those identified for TORM's Tanker Segment.

In the Tanker Segment, a major part of the Company's freight revenues stems from a small group of customers. Two customers accounted for 10% of the freight revenues in 2015 each. The concentration of earnings on a few customers requires extra attention to credit risk. TORM has a credit policy under which continued credit evaluations of new and existing customers take place. For longstanding customers, payment of freight normally takes place after a vessel's cargo has been discharged. For new and smaller customers, the Company's credit risk is limited, as freight most often is paid prior to the cargo's discharge, or, alternatively, that a suitable bank guarantee is placed in lieu thereof.

As a consequence of the payment patterns mentioned above, the Company's receivables within the Tanker Segment primarily consist of receivables from voyages in progress at year end and, to a lesser extent, of outstanding demurrage. The Company has not experienced any significant losses in respect of charter payments or any other freight agreements. With regard to the collection of demurrage, the Company's average stands at 96% (2014: 99%), which is considered to be satisfactory given the differences in interpretation of events. In 2015, demurrage represented 17.7% (2014: 8.3%) of the total freight revenues.

The Company only places cash deposits with major banks covered by a government guarantee or with strong and acceptable credit ratings.

Derivative financial instruments and commodity instruments

In 2015, 100% of TORM's Forward Freight Agreements (FFAs) and bunker swaps were cleared through NASDAQ, effectively reducing counterparty credit risk by daily clearing of balances. Over the counter bunker swaps have restrictively been entered into with major oil companies, banks or highly reputable partners with a satisfactory credit rating.

4) FINANCIAL RISKS

Financial risks relate to the Company's financial position, financing and cash flows generated by the business, including foreign exchange risk and interest rate risk. The Company's liquidity and capital resources are described in note 3 and note 19.

FOREIGN EXCHANGE RISK

TORM uses USD as its functional currency, because the majority of the Company's transactions are denominated in USD. The foreign exchange risk is thereby limited to cash flows not denominated in USD. The primary risk relates to transactions denominated in DKK, EUR and SGD and relates to administrative and operating expenses.

NOTE 22 – CONTINUED

The part of the Company's expenses that are denominated in currencies other than USD account for approximately 98% (2014: 0%) of administrative expenses, approximately 26% (2014: 0%) of operating expenses and approximately 3% (2014: 0%) of capital expenditures. Approximately 55% (2014: 0%) of TORM's administrative and operating expenses in DKK and EUR in 2016 are hedged through FX forward contracts. TORM assumes identical currency risks arising from exposures in DKK and EUR. Other significant cash flows in non-USD-related currencies occur occasionally, including certain purchase obligations denominated in JPY. No other significant cash flows in non-USD-related currencies occurred in 2015.

All things being equal, a change in the USD/DKK or USD/EUR exchange rate of 10% would result in a change in profit before tax and equity as follows for the coming financial year:

USDm	**2016**	2015
SENSITIVITY TO CHANGES IN THE USD/DKK or USD/EUR EXCHANGE RATE		
Effect of a 10% increase of DKK:		
Change in profit before tax	-2.8	0
Change in equity	-2.8	0

INTEREST RATE RISK

TORM's interest rate risk generally relates to interest-bearing mortgage debt and bank loans. All the Company's loans for financing vessels are denominated in USD, and all are floating rate loans. At the end of 2015, TORM has fixed 65% (2015: 25%) of the interest exposure for 2016. The fixing is a result of floating rate loans where Libor 3 or Libor 6 was fixed in 2015 into 2016 and interest hedging through interest rate swaps.

All things being equal, a change in the interest rate level of 1% point will result in a change in the interest rate expenses as follows for the coming financial year:

USDm	**2016**	2015
SENSITIVITY TO CHANGES IN INTEREST RATES		
Effect of 1% point increase in the interest rate:		
Change in profit and loss	-3.3	-1.4
Change in equity	9.5	-1.4

TORM's interest-bearing debt increased from year-end 2014 to year-end 2015 by USD 639m (2014: increase of USD 142m) to USD 781m (2014: USD 142m), primarily due to the reverse acquisition.

NOTE 23

FINANCIAL INSTRUMENTS

USDm	2015	2014
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:		
Loans and receivables		
Freight receivables	83.1	35.2
Other receivables	2.5	0.8
Cash and cash equivalents	168.3	38.1
Total	**253.9**	**74.1**
Derivative financial instruments (assets)		
Other receivables (hedge accounting)	1.6	-
Total	**1.6**	**0.0**
Financial liabilities measured at amortized cost		
Mortage debt and bank loans	766.3	141.6
Finance lease liabilities	13.5	-
Trade payables	22.3	11.9
Other liabilities	24.6	1.3
Total	**826.7**	**154.8**
Derivative financial instruments (liabilities)		
Other liabilities (hedge accounting)	0.2	-
Total	**0.2**	**0.0**

The fair value of the financial assets and liabilities above equals the carrying amount except for mortage debt and bank loans for which the fair value can be found in note 16.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

Below shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include input for the asset or liability that are not based on observable market data (unobservable input)

NOTE 23 – CONTINUED

USDm	2015 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Derivative financial instruments (assets):				
Other receivables (hedge accounting)	-	1.6	-	1.6
Total financial assets	**0.0**	**1.6**	**0.0**	**1.6**
Derivative financial instruments (liabilities):				
Other liabilities (hedge accounting)	-	0.2	-	0.2
Total financial liabilities	**0.0**	**0.2**	**0.0**	**0.2**

USDm	2014 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Derivative financial instruments (assets):				
Other receivables (hedge accounting)	-	-	-	0.0
Total financial assets	**0.0**	**0.0**	**0.0**	**0.0**
Derivative financial instruments (liabilities):				
Other liabilities (hedge accounting)	-	-	-	0.0
Total financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**

There were no transfers between Level 1 and 2 in 2015 and 2014.

Derivative financial instruments of USD 1.4m (2014: USD 0.0m) are measured at fair value based on discounted cash flows on a recurring basis. Future cash flows are estimated on forward curves for bunker swaps, FFAs, forward exchange contracts and interest rate swaps from observable forward curves at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

NOTE 24

RELATED PARTY TRANSACTIONS

The Company's ultimate controlling party is Oaktree OPPS Fund IX LP, a fund incorporated in the Cayman Islands, and the immediate controlling shareholder is Njord Luxco.

Shareholders' contribution and dividend paid are disclosed in the consolidated statement of changes in equity.

Management remuneration is disclosed in note 5.

There have been limited transactions with related parties during the financial year of less than USD 0.1m (2014: 0.0m).

NOTE 25

NON-CURRENT ASSETS SOLD DURING THE YEAR

During the third quarter of 2015, TORM sold its two bulk vessels for USD 18m in connection with the wind-down of the Company's bulk activities. Both vessels have been delivered to the new owners during the fourth quarter of 2015. The sales did not result in any gain or losses.

NOTE 26

CASH FLOWS

USDm	**2015**	2014
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	0.7	-
Exchange rate adjustments	0.1	-
Other adjustments	0.1	-
Total	**0.9**	**0.0**

USDm	**2015**	2014
Change in bunkers, receivables and payables, etc.:		
Change in bunkers	15.6	-8.8
Change in receivables	6.1	-27.1
Change in prepayments	4.9	1.5
Change in trade payables and other liabilities	-11.9	14.0
Adjusted for fair value changes of derivative financial instruments	2.2	-
Total	**16.9**	**-20.4**

NOTE 27

ENTITIES IN THE GROUP

Parent Company:

TORM A/S	Denmark

Investments in subsidiaries*):

Entity	Ownership	Country
DK Vessel HoldCo GP ApS	100%	Denmark
DK Vessel HoldCo K/S	100%	Denmark
OCM (Gibraltar) Njord Midco Ltd..	100%	Gibraltar
OCM Njord Chartering Inc	100%	Marshall Islands
OCM Singapore Njord Holdings Agnes, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Alice, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Almena, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Amalie, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Aslaug, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Hardrada, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings St.Michaelis Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings St. Gabriel Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Harald Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Gorm Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Knut Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Valdemar Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Agnete, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Alexandra, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Anabel, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Arawa Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Leif Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Rolf Pte. Ltd.	100%	Singapore
OCM Holdings Mrs Inc.	100%	Marshall Islands
OCM Njord Anne Inc.	100%	Marshall Islands
OCM Njord Freya Inc.	100%	Marshall Islands
OCM Njord Gerd Inc.	100%	Marshall Islands
OCM Njord Gertrud Inc.	100%	Marshall Islands

Entity	Ownership	Country
OCM Njord Gunhild Inc.	100%	Marshall Islands
OCM Njord Helene Inc.	100%	Marshall Islands
OCM Njord Helvig Inc.	100%	Marshall Islands
OCM Njord Ingeborg Inc.	100%	Marshall Islands
OCM Njord Mary Inc.	100%	Marshall Islands
OCM Njord Ragnhild Inc.	100%	Marshall Islands
OCM Njord Thyra Inc.	100%	Marshall Islands
OCM Njord Valborg Inc.	100%	Marshall Islands
OCM Njord Vita Inc.	100%	Marshall Islands
OMI Holding Ltd.	100%	Mauritius
Torghatten & TORM Shipowning ApS	100%	Denmark
TORM Brasil Consultoria em Transporte Maritimo LTDA.**)	100%	Brazil
TORM Crewing Service Ltd.	100%	Bermuda
TORM Shipping India Private Limited	100%	India
TORM Singapore Pte. Ltd.	100%	Singapore
TORM USA LLC	100%	Delaware
TT Shipowning K/S	100%	Denmark
VesselCo 1 K/S	100%	Denmark
VesselCo 2 Pte. Ltd.**)	100%	Singapore
VesselCo 3 K/S	100%	Denmark
VesselCo 4 Pte. Ltd.**)	100%	Singapore
VesselCo 6 Pte. Ltd.	100%	Singapore
VesselCo 7 Pte. Ltd.	100%	Singapore
VesselCo 8 Pte. Ltd.	100%	Singapore
VesselCo A ApS	100%	Denmark
VesselCo C ApS	100%	Denmark

Interest in legal entities included as joint ventures*):

Long Range 2 A/S	50%	Denmark
LR2 Management K/S	50%	Denmark
TORM SHIPPING (PHILS.), INC.	25%	Philippines

*) Entities with activities in the financial year.

**) Dissolved during the year.

NOTE 28

EARNINGS PER SHARE	2015	2014
Net profit for the year (USDm)	**126.0**	**12.6**
Million shares		
Average number of shares	51.0	32.5
Average number of treasury shares	0.0	0.0
Average number of shares outstanding	51.0	32.5
Dilutive effect of outstanding warrants	0.2	0.0
Dilutive effect of outstanding share options	0.0	0.0
Average number of shares outstanding incl. dilutive effect of share options and warrants	**51.2**	**32.5**
Earnings per share (USD)	**2.5**	**0.4**
Diluted earnings per share (USD)	**2.5**	**0.4**

When calculating diluted earnings per share for 2015, 1,687 share options (2014: 0 share options) have been omitted as they are anti-dilutive, but potentially the share options might dilute earnings per share in the future.

Weighted average number of shares have been adjusted for the reverse acquisition as disclosed in note 2.

STATEMENT BY MANAGEMENT

We have today presented the annual report of TORM A/S for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position as of 31 December 2015 as well as of their financial performance and cash flows for the financial year 1 January - 31 December 2015.

We also believe that the management report contains a fair review of the development and performance of the Group's and the Parent's business and of their financial position as a whole, together with a description of the principal risks and uncertainties that they face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 8 March 2016

BOARD OF DIRECTORS:

Christopher H. Boehringer
Chairman

David Neil Weinstein
Deputy Chairman

Kari Millum Gardarnar

Pär Göran Trapp

Rasmus J. Skaun Hoffmann

Torben Janholt

EXECUTIVE MANAGEMENT:

Jacob Meldgaard
CEO

INDEPENDENT AUDITOR'S REPORTS

TO THE SHAREHOLDERS OF TORM A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent financial statements of TORM A/S on pages 48 – 101, for the financial year 1 January to 31 December 2015, which comprise the income statement, the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and the parent financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT REVIEW (PAGES 4-47)

Pursuant to the Danish Financial Statements Act, we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 8 March 2016

DELOITTE
Statsautoriseret Revisionspartnerselskab
CVR: 33 96 35 56

Sumit Sudan
State Authorised
Public Accountant

PARENT COMPANY 2015

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2015	2014
Revenue		626,414	624,173
Port expenses, bunkers and commissions		-198,734	-298,155
Freight and bunker derivatives		0	-236
Time charter equivalent earnings		**427,680**	**325,782**
Charter hire		-166,131	-179,984
Operating expenses	2	-135,998	-149,259
Gross profit (Net earnings from shipping activities)		**125,551**	**-3,461**
Administrative expenses	2, 3	-32,712	-39,088
Other operating expenses		-668	-9,465
EBITDA		**92,171**	**-52,014**
Depreciation	6	-2,428	-3,305
Operating profit/(loss) (EBIT)		**89,743**	**-55,319**
Financial income	8	729,657	471,532
Financial expenses	8	-72,298	-688,809
Profit/(loss) before tax		**747,102**	**-272,596**
Tax expenses	11	-224	-9
Net profit/(loss) for the year		**746,878**	**-272,605**

ALLOCATION OF PROFIT/(LOSS) FOR THE YEAR

The Board of Directors recommends that the net profit/(loss) for the year of USD 746.9m is allocated as follows:

Proposed dividend USD 0.0 per share of DKK 15	0
Retained profit	746,878
	746,878

The accompanying notes are an integrated part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY - 31 DECEMBER

USD '000	2015	2014
Net profit/(loss) for the year	**746,878**	**-272,605**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value adjustment on hedge instruments	1,941	-2,327
Value adjustment on hedge instruments transferred to income statement	5,645	7,327
Fair value adjustment on other investments available-for-sale	2,897	-1,466
Transfer to income statement on sale of available-for-sale investments	-8,355	0
Other comprehensive income after tax*)	**2,128**	**3,534**
Total comprehensive income for the year	**749,006**	**-269,071**

*) No income taxes fall on other comprehensive income items.

The accompanying notes are an integrated part of these financial statements.

BALANCE SHEET
AS OF 31 DECEMBER

USD '000	Note	2015	2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Total intangible assets	5	**0**	**0**
Tangible fixed assets			
Vessels	17	12,048	12,848
Prepayments on vessels		19,200	0
Other plant and operating equipment		1,820	2,536
Total tangible fixed assets	6	**33,068**	**15,384**
Financial assets			
Investment in subsidiaries	4, 7, 14	1,845,146	1,104,861
Loans to subsidiaries	20	280,419	3,033
Investments in joint ventures	4	56	56
Other investments	4	3	10,889
Total financial assets		**2,125,624**	**1,118,839**
Total non-current assets		**2,158,692**	**1,134,223**
CURRENT ASSETS			
Bunkers		21,133	23,863
Freight receivables	9	60,366	70,756
Other receivables	10	4,382	3,084
Prepayments		4,653	6,729
Cash and cash equivalents		96,787	39,659
Total current assets		**187,321**	**144,091**
TOTAL ASSETS		**2,346,013**	**1,278,314**

The accompanying notes are an integrated part of these financial statements.

BALANCE SHEET
AS OF 31 DECEMBER

USD '000	Note	2015	2014
EQUITY AND LIABILITIES			
EQUITY			
Common shares		141,946	1,247
Special reserves		60,974	60,974
Treasury shares		-19,224	-19,048
Revaluation reserves		0	5,458
Hedging reserves		1,398	-6,188
Translation reserves		5,896	5,896
Retained profit/(loss)		1,192,755	-311,575
Total equity		**1,383,745**	**-263,236**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	45,176	45,176
Mortgage debt and bank loans	13, 14, 16	717,530	1,319,170
Finance lease liabilities	16, 17	11,522	11,901
Total non-current liabilities		**774,228**	**1,376,247**
Current liabilities			
Mortgage debt and bank loans	13, 14, 16	48,728	107,906
Loans from subsidiaries	20	85,152	3,026
Finance lease liabilities	16, 17	624	0
Trade payables	16	18,687	17,994
Current tax liabilities		392	926
Other liabilities	12, 16	34,017	34,292
Deferred income		440	1,159
Total current liabilities		**188,040**	**165,303**
Total liabilities		**962,268**	**1,541,550**
TOTAL EQUITY AND LIABILITIES		**2,346,013**	**1,278,314**

Accounting policies	1
Guarantee and contingent liabilities	15
Derivative financial instruments	18
Financial instruments	19
Related party transactions	20

The accompanying notes are an integrated part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Special reserves*)	Treasury shares**)	Revaluation reserves	Hedging reserves	Translation reserves	Retained profit/ (loss)	Total
EQUITY								
Equity as of 1 January 2014	**1,247**	**60,974**	**-19,048**	**6,924**	**-11,188**	**5,896**	**-39,081**	**5,724**
Comprehensive loss for the year:								
Net loss for the year	-	-	-	-	-	-	-272,605	-272,605
Other comprehensive income for the year	-	-	-	-1,466	5,000	-	-	3,534
Total comprehensive loss for the year	**0**	**0**	**0**	**-1,466**	**5,000**	**0**	**-272,605**	**-269,071**
Debt cancellation	-	-	-	-	-	-	-	0
Issued consideration warrants to extinguish debt written down	-	-	-	-	-	-	-	0
Contribution in kind	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	-	-	-	111	111
Total changes in equity 2014	**0**	**0**	**0**	**-1,466**	**5,000**	**0**	**-272,494**	**-268,960**
Equity as of 31 December 2014	**1,247**	**60,974**	**-19,048**	**5,458**	**-6,188**	**5,896**	**-311,575**	**-263,236**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-	-	-	746,878	746,878
Other comprehensive income for the year	-	-	-	-5,458	7,586	-	-	2,128
Total comprehensive income for the year	**0**	**0**	**0**	**-5,458**	**7,586**	**0**	**746,878**	**749,006**
Debt cancellation	52,817	-	-	-	-	-	259,658	312,475
Issued consideration warrants to extinguish debt written down	-	-	-	-	-	-	18,000	18,000
Contribution in kind	87,882	-	-	-	-	-	482,517	570,399
Acquisition of treasury shares, cost	-	-	-176	-	-	-	-	-176
Transaction costs share issue	-	-	-	-	-	-	-2,723	-2,723
Share-based compensation	-	-	-	-	-	-	-	0
Total changes in equity 2015	**140,699**	**0**	**-176**	**-5,458**	**7,586**	**0**	**1,504,330**	**1,646,981**
Equity as of 31 December 2015	**141,946**	**60,974**	**-19,224**	**0**	**1,398**	**5,896**	**1,192,755**	**1,383,745**

*) The special reserves were established in conjunction with a capital decrease in 2012. In accordance with the Danish Companies Act, the special reserves can be used by the Board of Directors to distribute dividends or for other purposes that the Board of Directors may deem appropriate.

**) Please refer to note 14 in the consolidated financial statements for further information on treasury shares.

CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		89,743	-55,319
Adjustments:			
Reversal of bareboat hire from subsidiaries		144,722	130,983
Reversal of management fees from subsidiaries		4,183	7,486
Reversal of depreciation		2,428	3,305
Reversal of other non-cash movements	21	-3,540	-5,919
Dividends received		2,259	877
Dividends received from joint ventures and subsidiaries		10,776	531
Interest received and exchange rate gains		166	71
Interest paid and exchange rate losses		-13,160	-34,672
Advisor fees related to financing and restructuring plan		-31,468	-12,166
Income taxes paid/repaid		-1,054	-884
Change in bunkers, accounts receivables and payables	21	19,458	-737
Net cash flow from operating activities		**224,513**	**33,556**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-20,112	-1,546
Investment in equity interests and securities		-41,815	-40,390
Loans and repayment of loans to subsidiaries and joint ventures		-146,154	-8,371
Sale of other investments		17,003	355,234
Sale of non-current assets		0	37
Net cash flow from investing activities		**-191,078**	**304,964**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		93,100	25,000
Repayment/redemption, mortgage debt		-66,508	-349,405
Transaction costs share issue		-2,723	0
Purchase/disposal of treasury shares		-176	0
Cash flow from financing activities		**23,693**	**-324,405**
Net cash flow from operating, investing and financing activities		**57,128**	**14,115**
Cash and cash equivalents as of 1 January		**39,659**	**25,544**
Cash and cash equivalents as of 31 December		**96,787**	**39,659**
Of which restricted cash and cash equivalents		13,768	0
Non-restricted cash and cash equivalents as of 31 December		**83,019**	**39,659**

The accompanying notes are an integrated part of these financial statements.

NOTE 1

ACCOUNTING POLICIES

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

In addition to the accounting policies for the Group as presented in note 1 in the consolidated financial statements, the Parent Company, TORM A/S, applies the following supplementary accounting policies.

Foreign currencies
Exchange rate gains or losses on intercompany balances with foreign subsidiaries, which are considered part of the investment in the entity, are recognized directly in equity.

Investment in subsidiaries and joint ventures
Investment in subsidiaries and joint ventures are recognized and measured in the financial statements of the Parent Company at cost and classified as "non-current assets". Dividends are recognized under "Financial income".

As part of the Restructuring in 2012, the ownership of all vessels in the Group was contributed to subsidiaries which since their formation have bareboat chartered the vessels back to TORM A/S. According to the 2012-Restructuring Agreement, subsidiaries are requested to cancel their charter hire receivables on TORM A/S on a quarterly basis. The gain from these debt cancellations is recognized as "Financial Income" in TORM A/S, as the investments in subsidiaries are considered as financial assets. Accordingly, return on the investments is recognized as "Financial income".

The new vessel company (Vesselco 8 Pte. Ltd.) established in 2015 as subsidiary is also requested to cancel its charter hire receivables on TORM A/S on a quarterly basis just as the contributed Singapore vessel entities, formerly Njord vessel entities. The accounting treatment is similar to the debt cancellations driven by the Restructuring in 2012.

As a consequence of depreciation on vessels and the ongoing debt cancellations, the equity in the vesselowning subsidiaries is gradually reduced. This triggers an impairment on TORM A/S' investment in vesselowning subsidiaries. Furthermore, the Company evaluates whether there is any indication that an impairment loss recognized in prior periods on investment in subsidiaries and joint ventures may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the investment in subsidiaries and joint ventures.

The carrying amount of investment in subsidiaries and joint ventures is increased to its recoverable amount, if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

Reversal of impairment losses on investment in subsidiaries and joint ventures is recognized in "Financial income".

NOTE 2

USDm	2015	2014
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	19.2	16.3
Staff costs included in administrative expenses	23.0	28.0
Total	**42.2**	**44.3**
Staff costs comprise the following:		
Wages and salaries	39.4	40.8
Share-based compensation	-	0.1
Pension costs	2.6	3.2
Other social security costs	0.2	0.2
Total	**42.2**	**44.3**

Of which remuneration to the Board of Directors and salaries to the Executive Management:

USD '000	2015				2014			
	Board remuneration	Committee remuneration	Additional meetings and travel allowance	Total short-term benefits	Board remuneration	Committee remuneration	Additional meetings and travel allowance	Total short-term benefits
Flemming Ipsen 1)	133	33	26	192	200	50	55	305
Olivier Dubois 1)	50	33	10	93	75	50	22	147
Kari Millum Gardarnar	69	-	2	71	75	-	-	75
Alexander Green 1)	50	17	13	80	75	25	35	135
Rasmus Johannes Hoffmann	69	-	-	69	75	-	14	89
Jon Syvertsen 1)	50	17	13	80	75	25	32	132
Christopher Boehringer 2)	58	30	-	88	-	-	-	0
David Weinstein 2)	38	10	-	48	-	-	-	0
Torben Janholt 2)	20	28	-	48	-	-	-	0
Pär Göran Trapp 2)	20	38	-	58	-	-	-	0
Jeffrey Stein 3)	7	-	-	7	-	-	-	0
Total	**564**	**206**	**64**	**834**	**575**	**150**	**158**	**883**

1) Resigned on 25 August 2015
2) Appointed on 25 August 2015
3) Appointed as Board Observer on 16 November 2015

	Short-term benefits			
Executive Management 2015	Salaries	Bonus	Pension	Total
Jacob Meldgaard	812	1,316	-	2,128
Total	**812**	**1,316**	**0**	**2,128**

	Short-term benefits			
Executive Management 2014	Salaries	Bonus	Pension	Total
Jacob Meldgaard	980	227	-	1,207
Total	**980**	**227**	**0**	**1,207**

Employee information

The average number of permanently employed staff in the Parent Company in the financial year was 147 (2014: 150) land-based employees and 141 seafarers (2014: 138).

The average number of employees is calculated as a full-time equivalent (FTE).

NOTE 3

USDm	2015	2014
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.3	0.3
Audit-related fees	1.1	0.1
Tax fees	0.5	0.2
Fees for other services	0.4	0.1
Total	**2.3**	**0.7**

NOTE 4

USDm	Investment in subsidiaries	Investment in joint ventures	Other investments
FINANCIAL ASSETS			
Cost:			
Balance as of 1 January 2014	1,779.7	112.7	5.4
Additions	2.1	-	-
Disposals	-351.1	-	-
Balance as of 31 December 2014	**1,430.7**	**112.7**	**5.4**
Value adjustment:			
Balance as of 1 January 2014	-93.8	-112.6	6.9
Exchange rate adjustment	-	-	-0.5
Value adjustment for the year	29.4	-	-0.9
Disposals	18.1	-	-
Impairment losses	-279.5	-	-
Balance as of 31 December 2014	**-325.8**	**-112.6**	**5.5**
Carrying amount as of 31 December 2014	**1,104.9**	**0.1**	**10.9**
Cost:			
Balance as of 1 January 2015	1,430.7	112.7	5.4
Additions	623.2	-	-
Disposals	-49.0	-	-5.4
Balance as of 31 December 2015	**2,004.9**	**112.7**	**0.0**
Value adjustment:			
Balance as of 1 January 2015	-325.8	-112.6	5.5
Exchange rate adjustment	-	-	-0.9
Value adjustment for the year	41.9	-	0.0
Disposals	44.7	-	-4.6
Reversal of impairment losses	79.4	-	-
Balance as of 31 December 2015	**-159.8**	**-112.6**	**0.0**
Carrying amount as of 31 December 2015	**1,845.1**	**0.1**	**0.0**

Impairment losses and reversal hereof on investments in subsidiaries in 2014 and 2015 relate to investment in vessel-owning subsidiaries.

A list of companies in the Group is included in note 27 in the consolidated financial statements.

NOTE 5

USDm	Goodwill
INTANGIBLE ASSETS	
Cost:	
Balance as of 1 January 2014	89.2
Additions	-
Disposals	-
Balance as of 31 December 2014	**89.2**
Impairment losses:	
Balance as of 1 January 2014	89.2
Disposals	-
Impairment losses for the year	-
Balance as of 31 December 2014	**89.2**
Carrying amount as of 31 December 2014	**0.0**
Cost:	
Balance as of 1 January 2015	89.2
Additions	-
Disposals	-
Balance as of 31 December 2015	**89.2**
Impairment losses:	
Balance as of 1 January 2015	89.2
Disposals	-
Impairment losses for the year	-
Balance as of 31 December 2015	**89.2**
Carrying amount as of 31 December 2015	**0.0**

In connection with the dissolvement of certain subsidiaries acquired as part of the acquisition of OMI, the related goodwill was transferred to the Parent Company in 2010.

NOTE 6

USDm	Vessels and capitalized dry-docking	Prepay-ments on vessels	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS				
Cost:				
Balance as of 1 January 2014	14.8	0.0	27.4	42.2
Additions	-	-	1.3	1.3
Disposals	-	-	-4.9	-4.9
Balance as of 31 December 2014	**14.8**	**0.0**	**23.8**	**38.6**
Depreciation and impairment losses:				
Balance as of 1 January 2014	1.1	0.0	23.7	24.8
Disposals	-	-	-4.8	-4.8
Depreciation for the year	0.9	-	2.4	3.3
Balance as of 31 December 2014	**2.0**	**0.0**	**21.3**	**23.3**
Carrying amount as of 31 December 2014	**12.8**	**0.0**	**2.5**	**15.3**
Hereof finance leases	12.8	-	0.0	12.8
Cost:				
Balance as of 1 January 2015	14.8	0.0	23.8	38.6
Additions	166.6	19.2	0.8	186.6
Disposals	-166.5	-	-6.4	-172.9
Balance as of 31 December 2015	**14.9**	**19.2**	**18.2**	**52.3**
Depreciation and impairment losses:				
Balance as of 1 January 2015	2.0	0.0	21.3	23.3
Disposals	-	-	-6.4	-6.4
Depreciation for the year	0.9	-	1.5	2.4
Balance as of 31 December 2015	**2.9**	**0.0**	**16.4**	**19.3**
Carrying amount as of 31 December 2015	**12.0**	**19.2**	**1.8**	**33.0**
Hereof finance leases	12.0	-	-	12.0

In all material aspects, the depreciation under "Other plant and operating equipment" of USD 1.5m relates to office and IT equipment (2014: USD 2.4m).

NOTE 7

IMPAIRMENT TESTING

As of 31 December 2015, Management performed an assessment of whether there is any indication that investments in subsidiaries may be impaired or that an impairment loss recognized in prior periods may no longer exist or may have decreased. Because of an indication that an impairment loss of one subsidiary does no longer exist or may have decreased, Management performed a review of the recoverable amount of the investments in the subsidiary. The subsidiaries are the formally owner of the TORM vessels.

As of 31 December 2015, the recoverable amount of the investment in the subsidiary was the value in use.

The calculated value in use exceeded the carrying amount, and as a result a partly reversal of prior periods impairment losses on the vesselowning subsidiary of USD 79m was recognized under "Financial income" primarily driven by an increase in the value in use of the vessels owned by the subsidiary as result of increased freight rates. The recoverable amount of the vesselowning subsidiary amounts to USD 1,192m.

The assessment of the value in use of the investment in the subsidiary was based on the present value of the expected future cash flows that the vessels are able to generate in the owning period.

The major assumptions used in the calculation of the value in use are:

- The cash flows are based on known tonnage including vessels contracted for delivery in future periods. Additions or sales of tonnage are not factored in, as the timing effect of such transactions is highly uncertain.
- The product tankers are expected to generate normal income for 25 years. Given the current age profile of the tanker fleet, the average remaining life would be approximately 14 years.
- Freight rate estimates in the period 2016-2018 are based on the Company's business plans.
- Beyond 2018, freight rates are based on the following 10-year historical average freight rates from Clarkson adjusted by the inflation rate:
  - LR2 USD/day 21,975 (2014: USD/day 23,130)
  - LR1 USD/day 18,900 (2014: USD/day 19,967)
  - MR USD/day 16,948 (2014: USD/day 17,757)
  - Handysize USD/day 17,868 (2014: USD/day 19,360)
- Operating expenses and administrative expenses are estimated based on TORM's current run rate adjusted for cost reductions outlined in the operating budgets and the business plans for the period 2016-2018. Beyond 2018, operating expenses per operating day and administrative expenses are expected to increase with the inflation rate.
- WACC is set to 8.3% (2014: 7.8%). WACC is calculated by using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters.
- The inflation rate is based on the US Federal Reserve and ECB inflation target over the medium term, currently set to 2%.

Management believes that these major assumptions are reasonable.

The calculation of value in use is very sensitive to changes in the key assumptions, which are considered to be related to the future development in freight rates, WACC applied as discounting factor in the calculations and the development in operating expenses. The sensitivities have been assessed as follows, all other things being equal:

- A decrease in the tanker freight rates of USD/day 1,000 would result in an impairment of USD 127m
- An increase of the WACC of 1% would result in an impairment of USD 64m
- An increase of the operating expenses of 10% would result in an impairment of USD 100m

In comparison, the market value of the vessels in the vesselowning subsidiary amounts to USD 861m.

NOTE 8

USDm	2015	2014
FINANCIAL ITEMS		
Financial income		
Cancellation of mortgage debt and bank loans	505.8	-
Interest income*)	2.4	0.1
Gain on sale of other investments (available-for-sale)	12.3	-
Dividends	2.3	0.9
Dividends from subsidiaries	13.3	0.5
Debt cancellations from subsidiaries	113.4	468.0
Reversal of impairment losses on subsidiaries	79.4	0.0
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	0.8	2.0
Total	729.7	471.5
Financial expenses		
Interest expense on mortgage and bank debt*)	39.7	57.3
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	1.1	0.7
Advisor fees related to financing and restructuring plan	27.8	15.4
Impairment losses on subsidiaries	0.0	279.5
Disposal of subsidiaries	1.3	333.3
Other financial expenses	2.4	2.6
Total	72.3	688.8
Total financial items	**657.4**	**-217.3**

*) Interest for financial assets and liabilities not at fair value through profit and loss.

Please refer to note 1 for accounting policies on impairment losses and reversal hereof on subsidiaries and debt cancellations on subsidiaries.

NOTE 9

USDm	2015	2014
FREIGHT RECEIVABLES		
Analysis as of 31 December of freight receivables:		
Neither past due nor impaired	30.0	42.6
Past due not impaired:		
Due < 30 days	18.4	14.2
Due between 30 and 180 days	10.7	13.9
Past due and impaired:		
Due > 180 days	3.0	2.9
Total gross	62.1	73.6
Provision of impairment of freight receivebles	1.7	2.8
Net total	**60.4**	**70.8**

As of 31 December 2015, freight receivables include receivables at a value of USD 1.9m (2014: USD 3.4m), that are individually determined to be impaired to a value of USD 0.2m (2014: USD 0.6m).

Movements in the provision for impairment of freight receivables during the year are as follows:

USDm	2015	2014
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance as of 1 January	2.8	8.2
Provisions for the year	1.9	1.5
Provisions reversed during the year	-3.0	-2.2
Provisions utilized during the year	0.0	-4.7
Balance as of 31 December	**1.7**	**2.8**

Provision for impairment of freight receivables has been recognized in the income statement under "Port expenses, bunkers and commissions". The provision is based on an individual assessment of each individual receivable.

NOTE 10

USDm	2015	2014
OTHER RECEIVABLES		
Partners and commercial managements	0.2	0.4
Derivative financial instruments	1.7	0.1
Tax receivables	0.9	0.5
Miscellaneous, including items related to shipping activities	1.6	2.1
Total	**4.4**	**3.1**

No significant other receivables are past due nor impaired.

NOTE 11

USDm	2015	2014
TAX		
Current tax for the year	1.8	1.2
Adjustments related to previous years	-1.6	0.1
Adjustment of deferred tax	-	-1.3
Total	**0.2**	**0.0**
Effective corporate tax rate	**0.0%**	**0.0%**

The Danish Corporate tax rate has decreased from 24.5% in 2014 to 23.5% in 2015.

The Company participates in the tonnage tax scheme in Denmark. Participation in the tonnage tax scheme is binding until 31 December 2025.

Under the Danish tonnage tax scheme, the income and expenses from shipping activities are not subject to direct taxation. Instead, the taxable income is calculated from:
• The net tonnage of the vessels used to generate the income from shipping activities
• A rate applicable to the specific net tonnage of the vessel, based on a sliding scale
• The number of days the vessels are used during the year

The Company expects to participate in the tonnage tax scheme after the binding period and at a minimum to maintain its current investing and activity level.

The difference between the effective corporate tax rate of 0.0% (2014: 0.0%) and the corporation tax rate in Denmark of 23.5% (2014: 24.5%) primarily relates to the tonnage tax scheme.

Payment of dividends to the shareholders of TORM A/S has no taxable consequences for TORM A/S.

USDm	2015	2014
DEFERRED TAX		
Deferred tax as of 1 January	45.2	46.5
Deferred tax for the year	0.0	-1.3
Deferred tax as of 31 December	**45.2**	**45.2**

The deferred tax liabilities relate to vessels included in the transition account under the tonnage tax scheme.

NOTE 12

USDm	2015	2014
OTHER LIABILITIES		
Partners and commercial managements	3.0	6.2
Accrued operating expenses	10.3	7.4
Accrued interests	4.7	0.4
Wages and social expenses	12.5	12.0
Derivative financial instruments	0.2	1.8
Miscellaneous, including items related to shipping activities	3.3	6.5
Total	**34.0**	**34.3**

NOTE 13

EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTGAGE DEBT AND BANK LOANS

In July 2015, TORM completed the Restructuring. This resulted in a new Term Facility Agreement and a Working Capital Facility of USD 75m both expiring in 2021. Furthermore, TORM has a debt facility with Danish Ship Finance which expire in 2019 and 2021. TORM also has a bilateral loan with Danske Bank which expires in 2019. As of 31 December 2015, no drawdowns had been made on the Working Capital Facility.

Please refer to note 3 in the consolidated financial statements for further information on the Company's liquidity and capital resources and note 21 and 22 in the consolidated financial statements for further information on interest rate swaps and financial risks.

The table below shows the effective interest and fair value of the mortgage debt and bank loans.

		2015			2014		
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating				2015	18.4%*)	30.0
USD	Floating				2016	3.6%**)	1,409.0
USD	Floating	2019	4.1%*)	125.7			
USD	Floating	2019	4.1%*)	26.0			
USD	Floating	2021	4.3%	548.9			
USD	Floating	2021	4.4%*)	66.6			
Weighted average effective interest rate			4.3%			3.7%	
Fair value				**767.2**			**1,439.0**

*) Effective interest rate includes deferred and amortized bank fees and commitment fee.

**) Effective interest rate includes deferred and amortized bank fees related to original facilities and fees related to the restructured bank loans.

The fair value of mortgage debt and bank loans is calculated as the present value of expected future repayments and interest payments using the interest curve, which is based on actual market rates.

NOTE 14

USDm	2015	2014
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Fair value of loans collaterized by investment in subsidiaries	767.2	1,439.0
Total	**767.2**	**1,439.0**

The total carrying amount for investment in subsidiaries that have been provided as security amounts to USD 1,838m (2014: USD 1,073m).

NOTE 15

USDm	2015	2014
GUARANTEE AND CONTINGENT LIABILITIES		
Guarantees for leasing liabilities in subsidiaries	27.7	32.4
Other guarantee liabilities	0.0	0.2
Total	**27.7**	**32.6**

NOTE 16

CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS

TORM has various contractual obligations and commercial commitments to make future payments including lease obligations, purchase commitments, interest payments and repayment of mortgage debt and bank loans.

The following table summarizes the Company's contractual obligations:

As of 31 December 2015:

USDm	2016	2017	2018	2019	2020	There-after	Total
Mortgage debt and bank loans 1)	48.8	48.8	74.3	155.4	57.1	382.8	767.2
Interest payments related to scheduled interest fixing	16.8	15.6	14.4	12.0	10.0	7.1	75.9
Estimated variable interest payments 2)	9.0	13.9	14.3	13.1	9.8	6.6	66.7
Total	**74.6**	**78.3**	**103.0**	**180.5**	**76.9**	**396.5**	**909.8**

USDm	2016	2017	2018	2019	2020	There-after	Total
Finance lease liabilities 3)	0.6	11.5	-	-	-	-	12.1
Interest element finance lease	4.0	2.8	-	-	-	-	6.8
Newbuilding installments 4)	75.1	62.4	86.4	-	-	-	223.9
Chartered-in vessels (Operating lease) 5)	28.7	21.0	7.8	-	-	-	57.5
Derivative financial liabilities	0.2	-	-	-	-	-	0.2
Other operating leases 6)	1.6	1.3	1.0	0.6	-	-	4.5
Trade payables and other liabilities	39.1	-	-	-	-	-	39.1
Total	**149.3**	**99.0**	**95.2**	**0.6**	**0.0**	**0.0**	**344.1**

NOTE 16 – CONTINUED

USDm	2016	2017	2018	2019	2020	There-after	Total
Contractual rights - as lessor:							
Charter hire income for vessels on time charter and bareboat charter (Operating lease) 7)	35.8	17.5	17.5	-	-	-	70.8
Total	**35.8**	**17.5**	**17.5**	**0.0**	**0.0**	**0.0**	**70.8**

As of 31 December 2014:

USDm	2015	2016	2017	2018	2019	There-after	Total
Mortgage debt and bank loans 1)	113.9	1,325.1	-	-	-	-	1,439.0
Interest payments related to scheduled interest fixing	9.0	-	-	-	-	-	9.0
Estimated variable interest payments 2)	28.4	46.9	-	-	-	-	75.3
Total	**151.3**	**1,372.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,523.3**

USDm	2015	2016	2017	2018	2019	There-after	Total
Finance lease liabilities 3)	-	-	11.9	-	-	-	11.9
Interest element finance lease	4.3	4.5	2.9	-	-	-	11.7
Newbuilding installments	-	-	-	-	-	-	0.0
Chartered-in vessels (Operating lease) 5)	38.5	19.0	17.2	7.4	-	-	82.1
Derivative financial liabilities	1.7	-	-	-	-	-	1.7
Other operating leases 6)	1.4	1.7	1.4	1.0	0.7	-	6.2
Trade payables and other liabilities	40.8	-	-	-	-	-	40.8
Total	**86.7**	**25.2**	**33.4**	**8.4**	**0.7**	**0.0**	**154.4**

USDm	2015	2016	2017	2018	2019	There-after	Total
Contractual rights – as lessor:							
Charter hire income for vessels on time charter and bareboat charter (Operating lease) 7)	23.0	-	-	-	-	-	23.0
Total	**23.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**23.0**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 1.0m (2014: USD 11.9m), which are amortized over the term of the loans.
2) Variable interest payments are estimated based on the forward rates for each interest period. This corresponds to an average net interest including margin of 3.3% for 2016 (2014: the average net interest rate for 2015 was 2.8%).
3) One leasing agreement includes a purchase liability at expiry of the leasing period.
4) As of 31 December 2015, TORM had four contracted newbuildings (2014: none) to be delivered during 2017-2018.
5) Leases have been entered into with a mutually non-cancelable lease period of up to three years. Certain leases include a profit sharing element implying that the actual charter hire may be higher. The average period until redelivery of the vessels is 1.9 years (2014: 1.3 years).
6) Other operating leases primarily consist of contracts regarding office spaces, cars and apartments as well as IT-related contracts.
7) Charter hire income for vessels on time charter and bareboat charter is recognized under "Revenue". The average period until redelivery of the vessels is 0.6 year (2014: 0.3 year).

NOTE 17

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2015			
Falling due within one year	4.6	-4.0	0.6
Total current	4.6	-4.0	0.6
Falling due between one and five years	14.3	-2.8	11.5
Falling due after five years	-	-	0.0
Total non-current	14.3	-2.8	11.5
Total	**18.9**	**-6.8**	**12.1**
Fair value*)			**12.1**
2014			
Falling due within one year	3.2	-4.3	-1.1
Total current	3.2	-4.3	-1.1
Falling due between one and five years	20.4	-7.4	13.0
Falling due after five years	-	-	0.0
Total non-current	20.4	-7.4	13.0
Total	**23.6**	**-11.7**	**11.9**
Fair value*)			**11.9**

*) The fair value of finance lease liabilities is considered for fair value measurement at level 2 in the fair value hierarchy.

The fair value has been determined in accordance with generally accepted pricing models based on discounted cash flows, with the most significant input being the discount rate that reflects the credit risk of the counterparty.

Finance lease relates to a MR product tanker vessel chartered on bareboat expiring no later than 2017. At the expiry of the charter period, the Company has an obligation to purchase the vessel.

During the year, the Company has recognized an expense of USD 1.8m under "Financial expenses" for contingent rent of the vessel relating to a profit split element of the lease agreement.

Please refere to note 19 for further information on fair value hierarchies.

NOTE 18

DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair value of the derivative financial instruments:

USDm	**Fair value as of 31 Dec 2015**	Fair value as of 31 Dec 2014
Hedge accounting, cash flows:		
Derivative financial instruments regarding freight and bunkers:		
Forward Freight Agreements	0.0	0.1
Bunker swaps	-0.2	-1.7
Derivative financial instruments regarding interest and currency exchange rate:		
Forward exchange contracts	0.8	-
Interest rate swaps	0.8	-
Non-hedge accounting:		
Derivative financial instruments regarding bunkers:		
Bunker swaps	-	-0.1
Total	**1.4**	**-1.7**
Hereof included in:		
Current assets		
Other receivables	1.6	0.1
Current liabilities		
Other liabilities	-0.2	-1.8
Total	**1.4**	**-1.7**

Please refer to note 19 for further information on fair value hierarchies.

Bunker swaps with a fair value of USD -0.2m of a closed hedge will be recognized in the income statement in 2016.

Forward exchange contracts with a fair value of USD 0.8m are designated as hedge accounting to hedge a part of TORM's payments in 2016 regarding administrative and operating expenses denominated in DKK with a notional value of DKK 235.1m.

Interest rate swaps with a fair value of USD 0.8m are designated as hedge accounting to hedge a part of TORM's interest payments for the period 2016 to 2021, with a notional value of USD 382.3m.

NOTE 18 – CONTINUED

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in the income statement and equity in 2015 and 2014:

	Income statement				
2015 USDm	Revenue	Port expenses, bunkers and commissions	Freight and bunker derivatives	Financial items	Equity hedging reserves
Forward Freight Agreements	0.6	-	-	-	0.0
Bunkers swaps	-	-1.7	-	-	1.5
Forward exchange contracts	-	-	-	-	0.8
Interest rate swaps	-	-	-	-4.6	5.3
Total	**0.6**	**-1.7**	**0.0**	**-4.6**	**7.6**
2014					
Forward Freight Agreements	-0.6	-	-	-	0.0
Bunker swaps	-	-0.1	-0.1	-	-1.7
Forward exchange contracts	-	-	-	-	-
Interest rate swaps	-	-	-	-6.7	6.7
Total	**-0.6**	**-0.1**	**-0.1**	**-6.7**	**5.0**

Please refer to the section "Risk management" and note 22 in the consolidated financial statements for further information on financial risks.

NOTE 19

FINANCIAL INSTRUMENTS

USDm	2015	2014
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:		
Loans and receivables		
Loans to/from subsidiaries	195.3	0.0
Freight receivables, etc.	60.3	70.7
Other receivables	1.8	2.5
Cash and cash equivalents	96.8	39.7
Total	**354.2**	**112.9**
Available-for-sale financial assets		
Other investments	0.0	10.8
Total	**0.0**	**10.8**
Derivative financial instruments (assets)		
Other receivables - hedge accounting	1.6	0.0
Total	**1.6**	**0.0**
Financial liabilities measured at amortized cost		
Mortgage debt and bank loans	766.3	1,427.1
Finance lease liabilities	12.1	11.9
Trade payables	18.7	18.0
Other liabilities	21.2	20.6
Total	**818.3**	**1,477.6**
Derivative financial instruments (liabilities)		
Other liabilities - fair value through profit or loss (held-for-trading)	0.0	0.1
Other liabilities (hedge accounting)	0.2	1.7
Total	**0.2**	**1.8**

The fair value of the financial assets and liabilities above equals the carrying amount except for mortgage debt and bank loans for which the fair value can be found in note 13.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

The table next page shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1 - 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include input for the asset or liability that are not based on observable market data (unobservable input)

NOTE 19 - CONTINUED

	2015			
USDm	Quoted prices (Level 1)	Observ-able input (Level 2)	Unobserv-able input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	-	-	0.0	0.0
Derivative financial instruments (assets):				
Other receivables (hedge accounting)	-	1.6	-	1.6
Total	**0.0**	**1.6**	**0.0**	**1.6**
Derivative financial instruments (liabilities):				
Other liabilities - fair value through profit or loss (held-for-trading)	-	0.0	-	0.0
Other liabilities (hedge accounting)	-	0.2	-	0.2
Total	**0.0**	**0.2**	**0.0**	**0.2**

	2014			
USDm	Quoted prices (Level 1)	Observ-able input (Level 2)	Unobserv-able input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	-	-	10.9	10.9
Derivative financial instruments (assets):				
Other receivables (hedge accounting)	-	-	-	0.0
Total financial assets	**0.0**	**0.0**	**10.9**	**10.9**
Derivative financial instruments (liabilities):				
Other liabilities - fair value through profit or loss (held-for-trading)	-	0.1	-	0.1
Other liabilities (hedge accounting)	-	1.7	-	1.7
Total	**0.0**	**1.8**	**0.0**	**1.8**

There were no transfers between Level 1 and 2 in 2015 and 2014.

Derivative financial instruments of USD 1.4m (2014: USD -1.7m) are measured at fair value based on discounted cash flow on a recurring basis. Future cash flow are estimated on forward curves for bunker swaps, FFAs, forward exchange contracts and interest rate swaps from observable forward curves at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

The estimation of the fair market value of TORM's unlisted shares (level 3) in 2014 was based on market multiples for comparable listed companies (peer group). The peer group was selected from companies in comparable industries and was assessed as representative for the assessment of the value of the shareholding. Furthermore, TORM applied an average of both the price to earnings and the price to book multiple in determining the fair market value.

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET BASED ON LEVEL 3

USDm	2015	2014
Other investments, available-for-sale :		
Balance as of 1 January	10.9	12.3
Gain/loss in other comprehensive income	-5.5	-1.4
Transfers to/from Level 3	-5.4	-
Balance as of 31 December	**0.0**	**10.9**
Gain/loss in the income statement for assets held at the end of the reporting period	**0.0**	**0.0**

NOTE 20

RELATED PARTY TRANSACTIONS

Subsidiaries and joint ventures are considered as related parties in relation to the Parent Company, TORM A/S, in addition to the related parties disclosed in note 24 to the consolidated financial statements. The following transactions took place between TORM A/S and subsidiairies and joint ventures during the year:

USDm	**2015**	2014
Services provided by TORM to joint ventures	0.2	1.4
Services provided by subsidiaries	136.5	149.3
Debt cancellations by subsidiaries	117.9	470.7
Assets sold by TORM to subsidiaries	166.5	0.0
Assets sold by subsidiaries to TORM	166.5	0.0
Financial liability transferred to TORM	129.4	0.0
Loans to subsidiaries	280.4	3.0
Loans from subsidiaries	85.2	3.0

The loans between TORM and subsidiaries relate in all material aspect to assets sold between TORM and the subsidiaries and financial liability transferred to TORM. The interest related to the loans is based on LIBOR + margin.

Management remuneration is disclosed in note 2.

The services provided between the parties are all directly related to the Group's shipping activities and based on arm's lenght principles.

NOTE 21

CASH FLOWS

USDm	**2015**	2014
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	0.4	2.5
Fair value adjustmens on derivative financial instruments	-0.1	0.1
Exchange rate adjustments	0.5	-0.2
Share-based payment	-	0.1
Other adjustments	-4.3	-8.4
	-3.5	**-5.9**

USDm	**2015**	2014
Change in bunkers, accounts receivables and payables:		
Change in bunkers	1.7	1.7
Change in receivables	10.4	18.8
Change in prepayments	2.4	-0.8
Change in trade payables and other liabilities	1.9	-18.7
Adjusted for fair value changes of derivative financial instruments	3.1	-1.7
	19.5	**-0.7**

TORM FLEET OVERVIEW AS OF 31 DECEMBER 2015

TANKERS/ BULKERS	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	LR2	TORM HELENE	99,999.00	1997	100%	10.00
Tanker	LR2	TORM KRISTINA	105,001.00	1999	100%	16.00
Tanker	LR2	TORM GUDRUN	101,122.00	2000	100%	17.00
Tanker	LR2	TORM INGEBORG	99,999.00	2003	100%	21.00
Tanker	LR2	TORM VALBORG	99,999.00	2003	100%	22.00
Tanker	LR2	TORM MARINA	109,672.00	2007	100%	36.00
Tanker	LR2	TORM MAREN	110,000.00	2008	100%	39.00
Tanker	LR2	TORM MATHILDE	110,000.00	2008	100%	39.00
Tanker	LR1	TORM SARA	72,718.00	2003	100%	20.00
Tanker	LR1	TORM EMILIE	74,999.00	2004	100%	22.00
Tanker	LR1	TORM ESTRID	74,999.00	2004	100%	23.00
Tanker	LR1	TORM ISMINI	74,999.00	2004	100%	23.00
Tanker	LR1	TORM SIGNE	72,718.00	2005	100%	25.00
Tanker	LR1	TORM SOFIA	72,718.00	2005	100%	27.00*)
Tanker	LR1	TORM VENTURE	74,999.00	2007	100%	27.00*)
Tanker	MR	TORM ANNE	44,990.00	1999	100%	9.00
Tanker	MR	TORM GUNHILD	44,999.00	1999	100%	9.00
Tanker	MR	TORM CLARA	45,999.00	2000	100%	11.00
Tanker	MR	TORM NECHES	47,052.00	2000	100%	14.00*)
Tanker	MR	TORM CECILIE	44,946.00	2001	100%	12.00
Tanker	MR	TORM AMAZON	47,275.00	2002	100%	13.00
Tanker	MR	TORM CAROLINE	44,946.00	2002	100%	14.00
Tanker	MR	TORM GERD	45,940.00	2002	100%	15.00
Tanker	MR	TORM GERTRUD	45,940.00	2002	100%	15.00
Tanker	MR	TORM MARY	45,990.00	2002	100%	15.00
Tanker	MR	TORM SAN JACINTO	47,038.00	2002	100%	16.00*)
Tanker	MR	TORM VITA	45,940.00	2002	100%	14.00
Tanker	MR	TORM CAMILLA	44,990.00	2003	100%	15.00
Tanker	MR	TORM CARINA	44,990.00	2003	100%	15.00
Tanker	MR	TORM FREYA	45,990.00	2003	100%	16.00
Tanker	MR	TORM MOSELLE	47,024.00	2003	100%	14.00
Tanker	MR	TORM ROSETTA	47,015.00	2003	100%	14.00
Tanker	MR	TORM THYRA	45,990.00	2003	100%	16.00
Tanker	MR	TORM HORIZON	46,955.00	2004	100%	17.00
Tanker	MR	TORM HELVIG	44,990.00	2005	100%	21.00*)
Tanker	MR	TORM RAGNHILD	44,990.00	2005	100%	21.00*)
Tanker	MR	TORM RESILIENCE	49,999.00	2005	100%	18.00
Tanker	MR	TORM THAMES	47,035.00	2005	100%	21.00
Tanker	MR	NJORD ERIC	49,999.00	2006	100%	18.00
Tanker	MR	TORM KANSAS	46,922.00	2006	100%	20.00
Tanker	MR	TORM PLATTE	46,920.00	2006	100%	21.00
Tanker	MR	TORM REPUBLICAN	46,893.00	2006	100%	20.00

TANKERS/ BULKERS	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	MR	TORM HARDRADA	45,983.00	2007	100%	16.00
Tanker	MR	TORM LOKE	51,371.00	2007	100%	24.00*)
Tanker	MR	TORM LAURA	52,000.00	2008	100%	23.00
Tanker	MR	TORM LENE	52,000.00	2008	100%	23.00
Tanker	MR	TORM LILLY	52,000.00	2009	100%	25.00
Tanker	MR	TORM LOTTE	52,000.00	2009	100%	25.00
Tanker	MR	TORM LOUISE	52,000.00	2009	100%	25.00
Tanker	MR	TORM AGNETE	50,500.00	2010	100%	28.00*)
Tanker	MR	TORM ALEXANDRA	50,500.00	2010	100%	28.00
Tanker	MR	TORM ALICE	50,500.00	2010	100%	23.00
Tanker	MR	TORM ALMENA	50,500.00	2010	100%	24.00
Tanker	MR	TORM ASLAUG	50,500.00	2010	100%	24.00
Tanker	MR	TORM ATLANTIC	49,999.00	2010	100%	27.00
Tanker	MR	TORM AGNES	50,500.00	2011	100%	22.00
Tanker	MR	TORM AMALIE	50,500.00	2011	100%	23.00
Tanker	MR	TORM ANABEL	49,999.00	2012	100%	27.00
Tanker	MR	TORM ARAWA	49,999.00	2012	100%	26.00
Tanker	MR	TORM ASTRID	50,319.00	2012	100%	28.00
Tanker	MR	TORM THOR	49,915.00	2015	100%	35.00
Tanker	MR	TORM THUNDER	49,915.00	2015	100%	35.00
Tanker	MR	TORM TIMOTHY	49,915.00	2015	100%	35.00
Tanker	Handysize	TORM MADISON	35,828.00	2000	100%	9.00
Tanker	Handysize	TORM RHONE	35,751.00	2000	100%	9.00
Tanker	Handysize	TORM TRINITY	35,834.00	2000	100%	12.00*)
Tanker	Handysize	TORM CHARENTE	35,751.00	2001	100%	10.00
Tanker	Handysize	TORM OHIO	37,274.00	2001	100%	11.00
Tanker	Handysize	TORM GARONNE	37,178.00	2004	100%	15.00
Tanker	Handysize	TORM LOIRE	37,106.00	2004	100%	15.00
Tanker	Handysize	TORM SAONE	37,106.00	2004	100%	15.00
Tanker	Handysize	TORM FOX	37,006.00	2005	100%	17.00
Tanker	Handysize	TORM TEVERE	36,990.00	2005	100%	19.00*)
Tanker	Handysize	TORM GYDA	37,000.00	2009	100%	23.00

* Indicates vessels for which TORM believes that, as of 31 December 2015, the basic charter-free market value is lower than the vessel's carrying amount.

GLOSSARY

Bareboat: See B/B.

B/B: Bareboat. A form of charter arrangement, where the charterer is responsible for all costs and risks in connection with the operation of the vessel.

Bulk: Dry cargo – typically commodities such as coal, grain, iron ore, etc.

Bunker hedge: A forward agreement used to reduce a company's exposure to fluctuating bunker costs.

Bunkers: Fuel with which to run a vessel's engines.

Charter party: A lease or freight agreement between a shipowner and a charterer for a longer period of time or for a single voyage.

Capesize: Bulk carriers with a cargo carrying capacity of 120,000-200,000 dwt.

Classification society: Independent organization, which ensures through verification of design, construction, building process and operation of vessels that the vessels at all times meet a long list of requirements to seaworthiness, etc. If the vessels do not meet these requirements, insuring and mortgaging the vessel will typically not be possible.

COA: Contract of Affreightment. A contract that involves a number of consecutive cargos at previously agreed freight rates.

Coating: The internal coatings applied to the tanks of a product tanker enabling the vessel to load refined oil products.

Commercial management: An agreement to manage a vessel's commercial operations for the account and risk of the shipowner.

Demurrage: A charge against the charterer of a vessel for delaying the vessel beyond the allowed free time. The demurrage rate will typically be at a level equal to the earnings in USD/day for the voyage.

DKK: Danish kroner.

Dry cargo: See Bulk.

Dwt: Deadweight ton. The cargo carrying capacity of a vessel.

FFA: Forward Freight Agreement. A financial derivative instrument enabling freight to be hedged forward at a fixed price.

Handymax: Dry bulk carriers with a cargo carrying capacity of 40,000-60,000 dwt.

Handysize: A specific class of product tankers with a cargo carrying capacity of 20,000 – 40,000 dwt.

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards.

IMO: International Maritime Organization.

Kamsarmax: Dry bulk carriers with a cargo carrying capacity of 80,000–85,000 dwt.

KPI: Key Performance Indicator. A measure of performance used to define and evaluate how the Company is making progress towards its long-term organizational goals.

LR1: Long Range 1. A specific class of product tankers with a cargo carrying capacity of 60,000 – 80,000 dwt.

LR2: Long Range 2. A specific class of product tankers with a cargo carrying capacity of 80,000 – 110,000 dwt.

LTAF: Lost Time Accident Frequency. Work-related personal injuries that result in more than one day off work per million hours of work.

MR: Medium Range. A specific class of product tankers with a cargo carrying capacity of 40,000 – 60,000 dwt.

Oil major: One of the world's largest publicly owned oil and gas companies. Examples of oil majors are BP, Chevron, ExxonMobil, Shell and Total.

OPEC: Organization of the Petroleum Exporting Countries.

Panamax: Dry bulk carriers with a cargo carrying capacity of 60,000–80,000 dwt. The biggest vessel allowed to pass through the Panama Canal.

P&I club: Protection & Indemnity Club.

Pool: A grouping of vessels of similar size and characteristics, owned by different owners, but commercially operated jointly. The pool manager is mandated to charter the vessels out for the maximum benefit of the pool as a whole. Earnings are equalized taking account of differences in vessel specifications, the number of days the vessels have been ready for charter, etc.

Product tanker: A vessel suitable for carrying clean petroleum products such as gasoline, jet fuel and naphtha.

Spot market: Market in which vessels are contracted for a single voyage for near-term delivery.

Supramax: Dry bulk carriers with a cargo carrying capacity of 40-60,000 dwt.

T/C: Time charter. An agreement covering the chartering out of a vessel to an end user for a defined period of time, where the owner is responsible for crewing the vessel, but the charterer must pay port costs and bunkers.

TCE: See T/C equivalent.

Technical management: An agreement to manage a vessel's technical operations and crew for the account and risk of the shipowner.

Time charter: See T/C.

Ton-mile: A unit of freight transportation equivalent to a ton of freight moved one mile.

T/C equivalent: The freight receivable after deducting port expenses, consumption of bunkers and commissions.

UN Global Compact: The United Nation's social charter for enterprises, etc.

Vetting: An audit of the safety and performance status of a tanker vessel made by oil majors.


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TUBORG HAVNEVEJ 18
2900 HELLERUP
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TEL.: +45 3917 9200
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